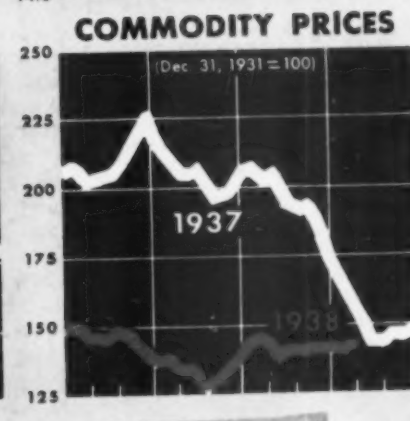
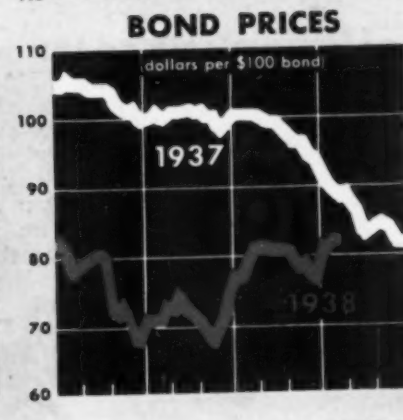
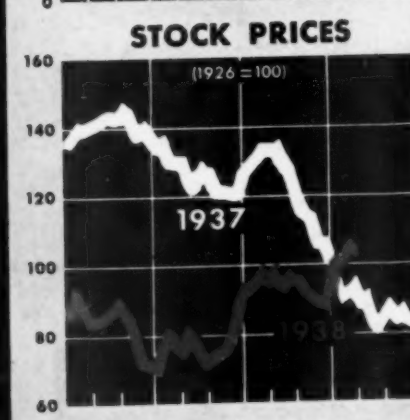
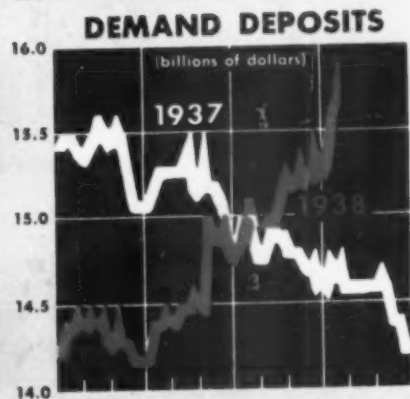
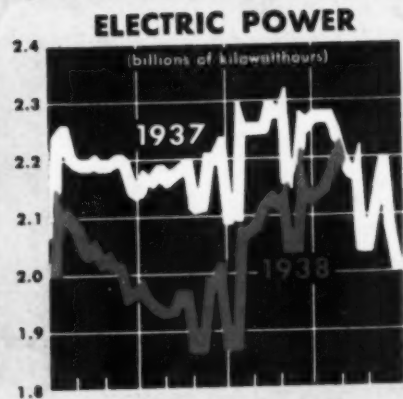
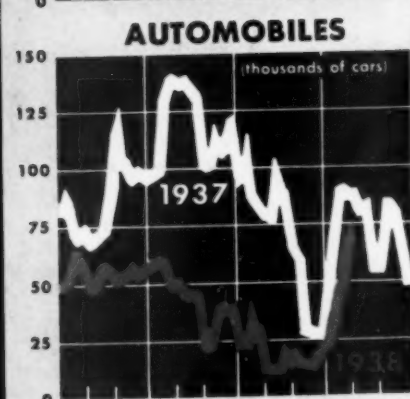
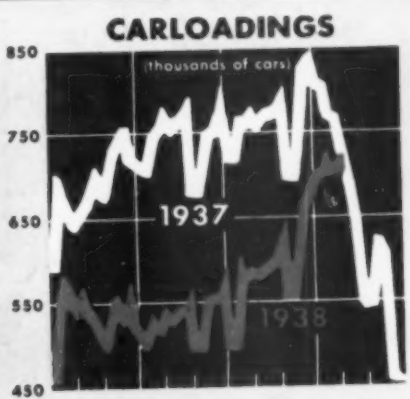
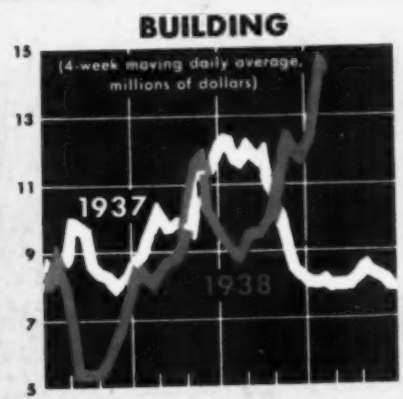
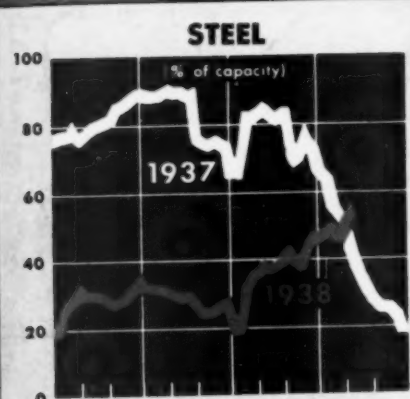


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BUSINESS WEEK

WEEK
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INESS
CATOR

With business pushing to another 1938 high this week, northward statistics are crossing 1937's levels.

PUBLISHED BY THE MCGRAW-HILL PUBLISHING CO.

UNIVERSITY OF MICHIGAN
GENERAL LIBRARY
ALAN ARBOR MICH

1938

IT PAYS TO BUY THE
EQUIPMENT THAT...

PAYS FOR ITSELF

PRESIDENTS OF PLANTS

KNOW that their jobs mean showing their stockholders a reasonable profit at the end of a fiscal year. And they've found, through years of experience, that machines which run efficiently without breakdowns, which make their employees' jobs easier, are often the difference between red and black on the balance sheet. That's why they approve the selection of Allis-Chalmers equipment by the engineering staffs of their plants.



Read What Men Who Manage Plants and Men Who Work in Them Say about Allis-Chalmers Equipment. Find Out How to Cut Your Costs . . . Increase Your Production . . . Steadily Profit Margins . . . With the Equipment that Pays for Itself.

SOUTH AMERICAN MINE OWNERS REALIZE

that when you're 3000 miles away from companies who make the machinery you've got to use in your mines, the choice of equipment is an important one. Any breakdown might mean closing down the mine for several months until the new part arrives. That's why they always specify Allis-Chalmers equipment. They know it won't go wrong. They have complete confidence in it.



equipment for twenty years . . . equipment that runs as well today as it did the day it was first installed.

MACHINE OPERATORS IN PLANTS THROUGHOUT THE COUNTRY

LIKE Allis-Chalmers equipment because it helps them do a better job . . . makes their work easier . . . doesn't break down. Many of these men have been on the job with an Allis-Chalmers motor for ten or fifteen years . . . and they treat those motors as old and valued friends.



MANAGERS OF SOUTHERN TEXTILE MILLS HAVE BEEN STRONG

for Allis-Chalmers ever since the introduction of the Texrope Drive and the "Quick-Clean" Motor. The textile industry used to spend thousands of dollars annually in replacing belts and cleaning motors. Now not only are maintenance costs reduced to amazingly low figures, but the industry gets increased production without shutdowns caused by equipment failures.



CHIEF ENGINEERS OF LARGE UTILITY COMPANIES HAVE TO INVEST

their companies' money in equipment that will run efficiently, keep their customers satisfied, and pay them a profit. And they find that Allis-Chalmers equipment will do all of that. Some of these engineers have been specifying Allis-Chalmers

Get the whole story on why these men are letting Allis-Chalmers put 90 years of engineering experience to work for them. Get in touch with the Allis-Chalmers District Office near you. Let an Allis-Chalmers engineer, trained in solving production problems, give you the facts, show you how to make your plant a bigger money-maker . . . with the equipment that pays for itself.

PRODUCTS ENGINEERED TO PAY FOR THEMSELVES

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement and Mining Machinery



ALLIS-CHALMERS

MILWAUKEE • WISCONSIN

Bigger, Finer PLYMOUTH!

**PRICED
LOWER
FOR 1939!**

...AND LOOK AT
THESE GREAT NEW
ENGINEERING
ADVANCEMENTS:

1. Bigger—114-in. Wheelbase
2. New High-Torque Engine Performance with New Economy
3. Perfected Remote Control Gear Shifting
4. New Auto-Mesh Transmission
5. New Amola Steel Coil Springs
6. New "Safety Signal" Speedometer
7. New Streamlined Safety Headlamps—greater road lighting
8. Time-proven, Double-Action Hydraulic Brakes—greater safety



THE GREAT NEW PLYMOUTH "ROADKING" Two-Door Touring Sedan for 1939. See it at your nearby Plymouth dealer today.

LONGER WHEELBASE, bigger value, new lower prices—and this 1939 Plymouth is so beautiful you won't believe it's a low-priced car!

You'll find this big new Plymouth is easy to own...your present car will probably represent a large proportion of Plymouth's low delivered price...balance in surprisingly low monthly instalments. PLYMOUTH DIVISION OF CHRYSLER CORPORATION, Detroit, Michigan.



PERFECTED Remote Control Shifting with new Auto-Mesh Transmission, standard on "De Luxe." Marvelous shifting ease.

EASY TO BUY

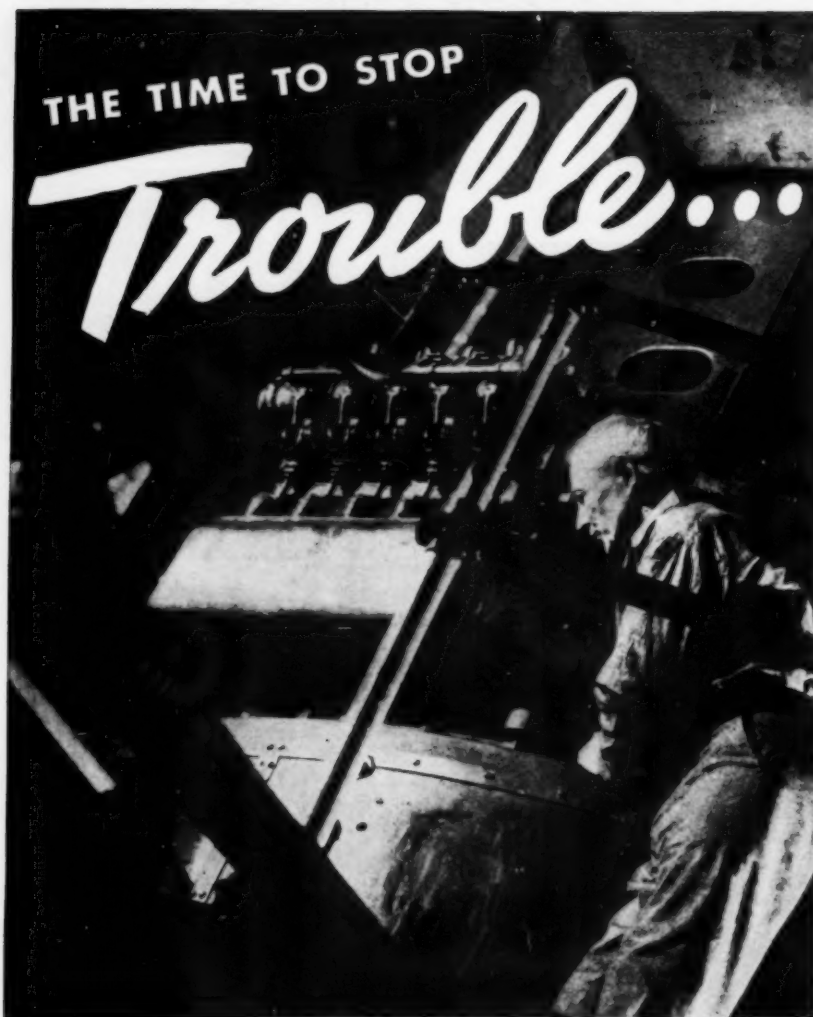
"Detroit delivered prices" include front and rear bumpers, bumper guards, spare wheel, tire and tube, foot control for headlight beam with indicator on instrument panel, ash-tray in front and rear, sun visor, safety glass and big trunk space (19.6 cubic feet). "Roadking" models start at \$645; "De Luxe" models slightly higher. Prices include all federal taxes, Transportation and state, local taxes, if any, not included. See your Plymouth dealer for local delivered prices.

TUNE IN MAJOR BOWEN'S AMATEUR HOUR, COLUMBIA NETWORK, THURS., 9-10 P. M., E. S.T.

PLYMOUTH BUILDS GREAT CARS

NEW "ROADKING"
NEW "DE LUXE"





THE TIME to stop trouble is *before trouble begins . . . before obscure hidden symptoms grow into a boiler or machinery catastrophe.*

Hartford Steam Boiler, pioneer engineering insurance company, has, for seventy-two years, guarded industry from financial loss by tracking down relentlessly the early signs of coming disaster.

But this Company, with its nationwide inspection corps, over 400 strong, has developed from its unparalleled experience more than the ability to minimize the chance of accident. Its maintenance recommendations have frequently added years of safe usefulness to the lives of boilers, engines,

turbines, and generators. Ever in consultation with the field force and with the feed-water laboratory is a home-office engineering staff, working for safety.

Hartford's prestige results in large measure from this concentration of its close-knit organization upon the single exacting task of insuring and inspecting power equipment. It means something that Hartford shop-inspects more than 90% of the nation's industrial power boilers during fabrication.

Your local agent or broker will explain more fully why the owners of about half the country's insured power equipment have Hartford Steam Boiler as their company.

THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY

HARTFORD, CONNECTICUT



Oldest in the Country. Largest in the World - Engineering Insurance Exclusively

THIS BUSINESS WEEK



The charts on this week's cover tell their own story. For additional evidence that business is on the way back from the recession's low of the second quarter, see the story headed: "Corporate Earnings Show Strength," on page 17.

Hurry! Hurry!

A COUPLE of weeks ago—after getting a number of requests for copies of the puffing locomotive on the Oct. 15 cover—this column offered to send prints to all askers. It was our idea of practicing this public relations business we've been preaching so much about, and besides, we had no idea there were so many train enthusiasts among business men.

It now appears we were sticking our necks out, and the business department will have to dig in good and hard or our folly will bust 'em. However, the offer still goes, and, to clear up some confusion, what we're sending is not a reprint of the cover but a photographic proof of the original picture.

Valedictory

DON'T BET on elections. With this warning note, addressed both to those who praise and to those who mourn the people's choice, Dr. Virgil Jordan concludes his stimulating tour of duty as guest conductor of Editorially Speaking. The applause suggests that other guest conductors be invited in from time to time, and we resume the versatile baton with that intention.

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A McGRAW-HILL

PUBLICATION

NEW YORK

Announcing the New...

TODD

*** VARIABLE CAPACITY MECHANICAL PRESSURE ATOMIZING BURNER**

A development in the burning of liquid fuel which provides:

1. UNLIMITED FIRING RANGE—

without change of burner tips
without change in oil delivery pressure
without change in angle of spray
without loss of atomizing efficiency

2. AUTOMATIC CONTROL—

without loss of efficiency over all firing ranges

STEAM requirements can be *instantly* and *automatically* followed, under all conditions, with maximum speed, economy and accuracy.

The Todd Variable Capacity Burner utilizes the basic principles of standard-type, mechanical pressure atomizing burners but is distinguished by its exclusive "varying range" feature. It saves fuel—reduces maintenance charges—increases plant efficiency. It has been subjected to the most rigid and exhaustive

laboratory tests, and many installations are now in satisfactory use.

Although the new Todd Variable Capacity Burner is a combustion engineering triumph, it is but one of many Todd achievements. Todd service is world-famous and comprises the design and manufacture of the correct size and type of combustion equipment for every marine, commercial or industrial need. If you have a combustion problem—look to Todd for the answer!

* Patent applied for

TODD COMBUSTION EQUIPMENT, Inc.

Division of Todd Shipyards Corporation



601 West 26th Street, New York City

NEW YORK

MOBILE

NEW ORLEANS

GALVESTON

SEATTLE

BUENOS AIRES

LONDON

NEW BUSINESS

Cans with Silver Linings?

THE TIN INDUSTRY will be interested to learn that the U.S. Bureau of Standards considers can linings as the most promising potential commercial use for silver. Government experimenters declare that a thin coat of the precious metal increases a can's resistance to corrosion, improves the preservation of fruits, vegetables, other foods. Tin sells in New York at 46¢ per lb., silver at \$5.13, but that isn't the whole story. Just consider the promotional possibilities of luxury items, say, marketed in "silver-lined cans." Anyhow, the group of silver producers which financed the research will concentrate on the can field as a possible volume outlet.

Exposition Dates

INDUSTRIES WHICH CATER to commercial displays are getting in orders for the "Fourth Annual Schedule of Industrial, Trade, Agricultural, etc., Shows and Expositions." It is issued by the Exhibitors Advisory Council, Inc., New York. The schedule's 37 pages give some hint of the extent to which American business will indulge in trade pow-wows during 1939.

On Warpath

HELL HATH FEW FURIES comparable to a band of women consumers engaged in a morality campaign against a concept or a product. Advertisers will therefore take notice of a resolution adopted Oct. 28 at the Biloxi, Miss., convention of the National Council of Catholic Women. It is aimed at oversexed magazines. The organization pledges support of a campaign against the "widespread and still growing circulation of salacious publications" and promises that members will not buy from companies which advertise in them.

Tooth Probes

WHILE DENTISTS' DRILLS whirr merrily in millions of unhappy jaws, science seeks the secret of tooth decay. Mellon Institute, Pittsburgh, has busied itself with this problem. In New York recently a meeting at the Academy of Medicine heard brothers (Dr. P. H. Belding, editor of the magazine *Dental Items of Interest*, and Lieut. L. J. Belding, a navy physician), expound a new theory on cavities. They think there is a "degraded carbohydrate fraction" in ordinary cereals as at present prepared which ferments in the saliva and attacks the tooth enamel, that this process is abetted by a streptococcus which they have named "odontyliticus," meaning "tooth dissolver." The discoverers don't advocate abstinence from cereals but suggest the removal of injurious elements before con-

Time tells its story

City Bank Farmers Trust Company brings to its clients many years of experience in caring for the investments of others. It received its charter 116 years ago. ¶ Clients have been with the Company for generations. Since 1868, 190 accounts for 140 families have been served continuously for thirty years or more. Of these accounts, 158 are still active. Twenty of them extend back a half-century or longer. It has continuously handled the property of one family for 70 years. ¶ Our officers will gladly explain how this Company may serve you.

City Bank Farmers
CHARTERED 1822 *Trust Company*

Head Office: 22 William St., New York; Uptown Office: Madison Ave. at 42nd St.;

Brooklyn Office: 181 Montague Street

ESS

sumption. Then along comes Dr. Isador Hirschfeld, of Columbia University, with an endorsement of that social pariah, the toothpick. It's too late to do the Christmas trade any good, but Dr. Hirschfeld hopes for return of the glamorous golden toothpicks which men carried on their watch chains and women included in beauty kit items.

Two-a-Day Mine Disasters

MINE RESCUES, staged twice daily with all the drama of the real thing, will be an attraction of the Golden Gate International Exposition, San Francisco, next year. There will be explosions, fire, smoke, sirens, with a U. S. Bureau of Mines truck speeding to the scene, followed by rescues authentic in detail down to the revival of "victims" by pulmotors. Bureau of Mines experts are planning the exhibit.

Heroine Rewarded

ON SEPT. 21 the board of directors of the Continental Oil Co., Ponca City, Okla., brushed aside vast trade and financial questions to consider the case of Mary Elizabeth Davis. Last May this 13-year-old saved the life of a brother who was overcome by petroleum gas which had settled in a ravine. She applied artificial respiration which she had read about in Continental Oil's safety manual. The board of directors voted official compliments. Better still, it presented Mary Elizabeth with a \$150 wrist watch. In addition, she received awards from the National Safety Council and the Red Cross.

Helping the Farmer

MANY ARE THOSE who advocate balancing the farmer's economy so that the farmer can help balance the nation's economy. Texas business men would like to see farmers make more money but have that money spread more evenly over the year instead of concentrated in a couple of harvest months. So the Lumbermen's Association of Texas, aided by a large segment of the press, is circularizing its membership. The association tells them it's cash in their pockets if they'll help educate the farmer to diversified production, and most particularly to the breeder-feeder plan to boost output of well-finished livestock.

Rechristening

THE CROSLY RADIO CORP., Cincinnati, has decided to rechristen itself the Crosley Corp., effective immediately. Originally the corporation was the Precision Equipment Co. but changed its title to signalize its production of radio receiving sets. In recent years the company has expanded into the manufacture of refrigerators, washing machines, gas stoves, electric stoves, and other items. The new name chosen is a better expression of the corporation's current diversification.

"fifty-one thousand pages of testimony...forty cents for repairs!"

Civil District Court

For the Parish of Orleans
New Orleans, La.

New Orleans, La.
March 3rd, 1938

L C Smith & Corona Typewriters Co
Syracuse, New York

Gentlemen:

On December 30th, 1927 I purchased from your New Orleans Branch, L C Smith #8-10 -753,721, which machine has been in continuous use daily in transcribing testimony and court reporting work and during the ten years that this machine has been used I have written approximately Fifty one thousand pages of testimony ranging from two to eight carbon copies per page, without this machine ever having been out of use for any repairs.

During these ten years I have only spent forty cents for repairs and that was to replace a paper finger which I broke in screwing the machine to a desk and not from any defect of the machine, which is still in use and giving me excellent service.

Having seen your recent advertisement pertaining to court reporters using the L C Smith, I thought you might be interested in the history of my machine and my experience with it.

You have my permission to use my letter of March 3rd, 1938, addressed to you, in your advertising in any way you see fit.

Yours very truly,

John J. Sheehan
JOHN J. SHEEHAN
Official Reporter Division "A"

Ask for demonstration of
the sensational new

Super-Speed
LC SMITH

L C SMITH & CORONA TYPEWRITERS INC
SYRACUSE, NEW YORK

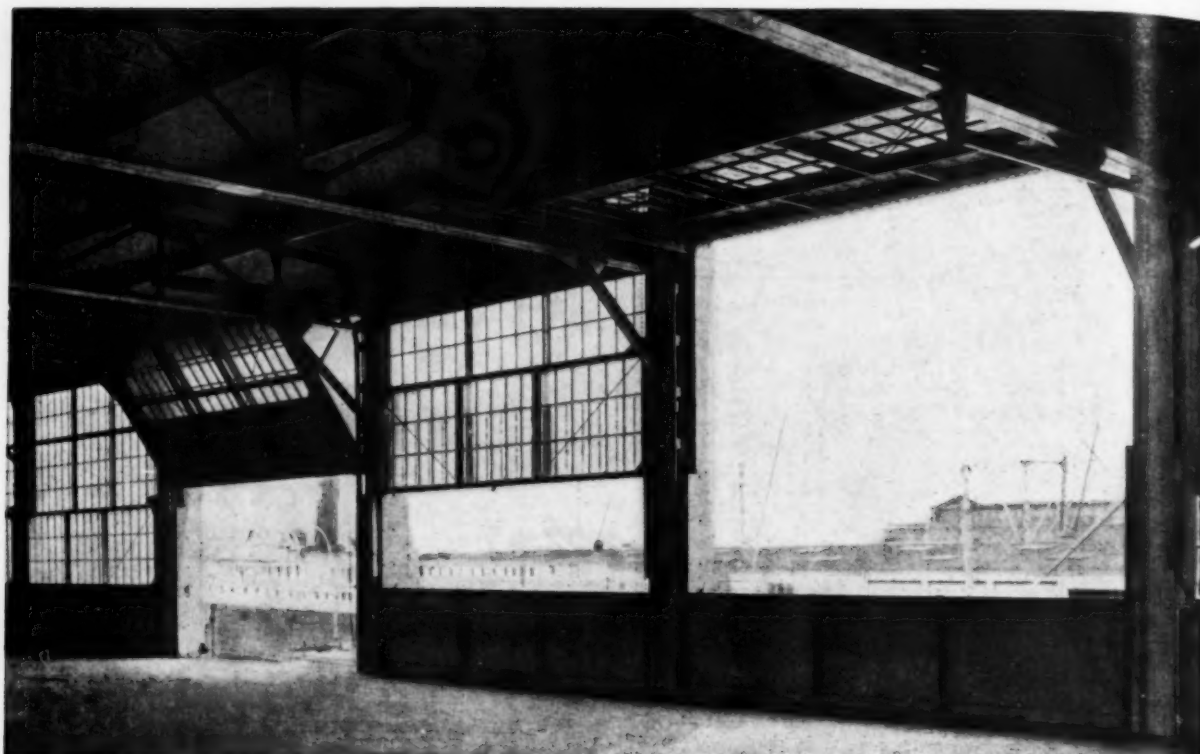


For personal typing, try the sensational new CORONA portables
... the "Speedline" and the "Zephyr".



**"LOVE AT
FIRST SIGHT"**





OVER AN ACRE OF TRUSCON STEEL DOORS

● Incoming and outgoing cargoes of freight pass through more than an acre of Truscon Steel Doors on a busy North River Pier in New York City. Hundreds of acres of Truscon Steel Doors are opening and closing all over the world.

So far-reaching is the scope of Truscon Steel Door service that, with *your* particular requirements unknown to us at this moment, we can safely predict a satisfactory and economical solution to your problem.

One of Truscon's 57 Sales-Engineering offices is near you with expert cooperation at your command. Complete catalogs sent upon request:

View above illustrates four Truscon Steel Vertical Lift-Swing Doors in different positions. Size of each opening is 18' x 18'. 77 of these doors on the first deck and 74 on the second deck complete this installation on Pier 45, North River in N.Y. City.



TRUSCON STEEL COMPANY

Y O U N G S T O W N • O H I O

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau) —Renomination of Franklin Roosevelt is far more likely as a result of the election. Following his failure against the nine "purge" Senators, the election demonstrates to both friends and foes of the New Deal that Roosevelt cannot transmit his strength to others—that he is only overwhelming when he is running himself. He has twice proved that when he runs he pulls his tickets through with him, and as a consequence the reverses suffered this year will lessen third term prejudice in the minds of many practical Democrats who thus far have been disposed to favor other candidacies.

Democrats Count 1940 Safe

STATISTICIANS find it difficult to devise any method of calculation by which the election returns can be made to forecast election of a Republican President in 1940.

States carried by the Democrats last Tuesday would give a heavy electoral vote margin to a Democratic Presidential candidate. New York, Illinois, California, and the Solid South with border states alone would do it. Counting only states where the Democrats won undivided victories for statewide offices, the Democrats would have rolled up 302 electoral votes, against 266 necessary to elect.

It is also significant that not since 1888 has any party won a Presidential election without carrying the House of Representatives two years previously.

Roosevelt—or Else

BUT PRIMARIES AND ELECTIONS make the nomination of any Roosevelt-handpicked candidate almost unthinkable. It makes the nomination of a Garner, a Jesse Jones, a Bennett Clark, or a Harry Byrd logical, unless Roosevelt goes after it himself. And the best of political analysts still regard it as unthinkable that a Democratic convention could refuse him a third nomination.

Pay Cuts for Overtime?

A REAL SHOW-DOWN confronts Administrator Andrews. Employers want to know why they can't legally cut wages on a work week over 44 hours—provided they would still be above the minimum—and use the saving to pay time-and-a-half for overtime, thus continuing the status quo.

Andrews admits that the law merely says that cutting wages as a result of the act shall not be justified. Accordingly, he ruled that overtime must be

computed on going wages, not reduced wages.

Many employers are advised by counsel that the law is merely a Con-

To Interpret Wage-Hour Exemptions



Harrie A. Ewing

Exemptions from various provisions of the wage-hour law present critical questions in many industries. Merle D. Vincent, Denver lawyer, is Administrator Andrews' choice to head the Hearings and Exemptions Section. Head of NRA's textile division till it folded, Vincent has been working for Sidney Hillman, of the Amalgamated Clothing Workers.

Protégé of former Sen. Costigan, Vincent belongs to that rather numerous group of New Dealers who cut their political teeth as Bull Moosers. For several years he was general manager of the Rocky Mountain Fuel Co., the property of Josephine Roche, who, as an Assistant Secretary of the Treasury, for several years formed with Sec. Perkins the distaff side of the New Deal.

gressional wish and that Andrews' ruling would not be upheld in court. They think it's doubtful if Congress can, constitutionally, freeze wages by forbidding cuts. A test case is likely. Unions will

cast around for an amendment if labor loses out in the Supreme Court.

Tax Exemption Fight

AT ONE END of Pennsylvania Avenue a group of Treasury tax experts is developing data to support legislation abolishing tax-free securities; at the other end, specialists of the joint Congressional committee are digging up arguments against the proposal.

This latter group has the active support of an array of municipal officials, camped in Washington, who do not want 1% added to the interest rate they will have to pay. They argue that there is no way municipalities could tax federal bonds. If the change is made, the revenue would go to the states, not to cities.

Bank Holding Bill Revival

ANY LEGISLATION on banking is hard to put through Congress, and the Administration has not yet made up its mind on what it wants. Currency Comptroller Delano's investigation into the situation on the West Coast may bring to the front the Administration's "suspended" sentence against bank holding companies.

With ex-Sen. McAdoo boosted into the shipping business, such legislation probably would make the grade. In any case, the prospect appears to be better for that than for the alternative—relaxing restrictions against branch banking, an issue on which feeling runs high.

To Bar Chain Growth

SPONSORS of Patman's chain store tax bill concede that it will have to be modified. As it stands, the bill will not get the support of the trade.

The new tack taken by the Patmanites is to freeze interstate chains at their present size. Existing units would pay a "normal" tax; new units a prohibitory tax. The anti-chain lobby believes that it can push such a bill through the next Congress. The proposal makes capital of the present chain policy to curtail the number of units. (A&P. has closed well over 4,000 stores during the last three years.)

TNEC Data by Nov. 15

TRADE ASSOCIATIONS questioned by the Commerce Department in connection with the monopoly investigation of the Temporary National Economic Committee are asked to get in their returns by Nov. 15. Data will be confidential, but the canvass is expected to produce a fairly clear idea of organizations that render legitimate service in

SANITARIUM ENJOYS BALANCED HEATING AT MODEST COST

Webster Moderator System Gives
New Saratoga County Hospital
Complete Heating Comfort

COMFORT IN COLDEST WEATHER

Open Window Ventilation, When
Desired, Does Not Affect
Economy or Comfort

"IDEAL" FOR HOSPITAL NEEDS

Providence, N. Y.—Built in 1937, the Saratoga County Hospital, a modern sanitarium for the treatment of tuberculosis, has secured comfortable, economical heating service with a Webster Moderator System of Steam Heating.

Hospital officials selected the Webster Moderator System because of its record of effectiveness in many similar installations. One season's experience convinced them of the soundness of their judgment.

Dr. A. R. Dimock, the Doctor-in-Charge, reports that even temperature and equal distribution of heat have been maintained during the severest winter weather.

"For heating comfort and minimum consumption of steam, the Webster Moderator System is ideal for our needs," Dr. Dimock said.

With the Webster Moderator System, heat is delivered continuously to all radiators. There is no on-and-off heating with its alternate "cold 70" and over-heating. Moderate open-window ventila-



Saratoga County Hospital, Providence, N. Y.

tion, when desired, does not affect either the economy or comfort of the installation.

"Control-by-the-Weather" is provided by an outdoor Thermostat, which automatically adjusts the basic rate of steam delivery with every change in weather or wind direction. A manual Variator allows the operator to vary the steam supply to meet special conditions.

All of the installation work was done by Cohn & Kramer, well-known heating firm of Albany. There is a total of 14,000 sq. ft. of installed direct radiation. The Saratoga County Hospital was designed by William H. Vaughan, Saratoga Springs architect.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address

1888 WARREN WEBSTER & CO., CAMDEN, N. J. 1938
Pioneers of Modern Steam Heating
50 YEARS OF HEATING PROGRESS

Representatives in 60 principal U. S. Cities

their industries and others that bear a close relation to rackets.

Check and Balance

RESEARCHERS of the National Industrial Conference Board have been discussing mutual problems with researchers of the Temporary National Economic Committee covering broad phases of the country's industrial structure. Significant fact is that the N.I.C.B. has just embarked on a two-year program of investigation into all aspects of the national economy. It parallels the TNEC work. Thus, N.I.C.B. from time to time, may adduce facts to balance TNEC findings—if those findings are biased by New Deal predictions.

Looking Into Steel

AS THE FOUNDATION for an intensive analysis of the steel industry by the TNEC a questionnaire developed jointly by the Justice Department and the Federal Trade Commission will go out very soon. Capacity, production, shipments, and prices will be explored in all their ramifications.

TNEC is not pursuing its inquiry industry-by-industry, but steel has been selected for exhaustive treatment because it constitutes such a fundamental part of the whole industrial structure.

Cutting Down Questionnaires

A CANVASS of the government's statistical activities doesn't point yet to any large opportunity to telescope the constant demands on business men for information regarding their operations.

The Central Statistical Board now is analyzing the mass of forms and questionnaires that go out daily from Washington and will submit to the President Jan. 1 recommendations on how they may be consolidated and abridged. The problem touches at many points the much larger issue of government reorganization.

Drug Exhibit Popular

NEW TOURIST ATTRACTION: The museum of the Food and Drug Administration, popularly known as the "Chamber of Horrors," has been dusted off and many new exhibits have been included of products that fall under the ban of the new food and drug law.

Because of the interest of women's clubs and other organizations waging constant warfare for consumer protection, a surprising number of sightseers find their way to this free-admission attraction, tucked away in one of Sec. Wallace's big buildings.

For Produce Regulation

REGULATION OF TERMINAL PRODUCE markets will be a lively subject in the next Congress, and chances favor some legislation blending federal and state authority in a corporate set-up to operate physical facilities.

Arnold Hits Advertising

THURMAN ARNOLD of the Department of Justice takes a wallop at national advertising and nationally advertised products that admittedly are beyond the reach of the antitrust laws but get a blackeye just the same.

The automobile finance decrees which the Ford and Chrysler companies consented to this week (page 15) embody restrictions on advertising the services of particular finance companies—restrictions which Arnold holds up as precedents for the future in combating "misuse" of advertising power in plugging particular brands of common products—such as gasoline, milk.

Arnold concedes that trade names are proper devices for identifying reliable goods but charges that through modern advertising they have become the handmaidens of monopoly in the hands of manufacturers who have the most advertising money and can make the most noise.

For three years in a row, Sen. Frazier has sponsored a bill to set up a national marketing corporation, but that idea smacks of purchase and sale by the government and the most effective opposition to it has come from the Department of Agriculture.

Coal Prices Unhelped

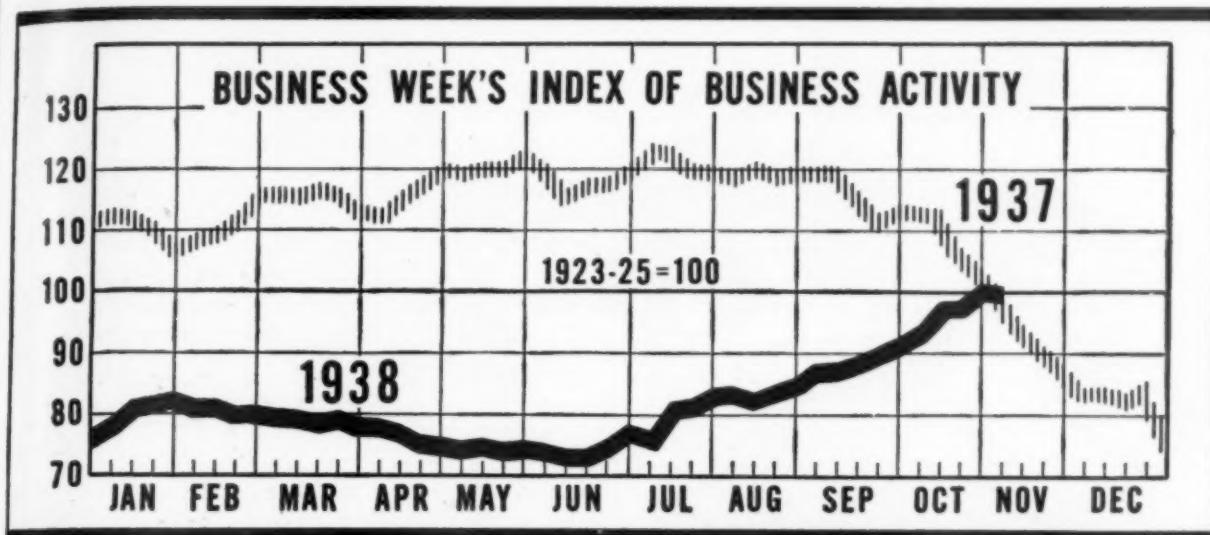
FIXED PRICE SCHEDULES for bituminous coal are still so far in the future that they have had no stimulating effect on the market. The industry remains in the doldrums while the Coal Commission's hearings stretch out. It's possible that prices for the Rocky Mountain fields will be out about Jan. 1, followed by Appalachian districts Feb. 1 and Indiana-Illinois sometime after that. Demand will pick up as these dates approach.

For Air Express

A MOVE is on foot to revamp air express service, and the establishment of air parcel post is the probable outcome. Both the Civil Aeronautics Authority and the air lines, though not ready to act yet, are interested. Out of its present pick-up-and-delivery arrangement with air lines, the Railway Express Agency gets only 12% of the revenue. Cool to any idea of shunting traffic from the rails, the express company has practically dropped promotion of its air service.

Pan American Airways, which depends on railway express to round up much of its package traffic to South America, is anxious for a change.

THE FIGURES OF THE WEEK



THE INDEX

PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
★ Steel Ingot Operations (% of capacity).....	61.0	56.8	51.4	30.4	41.0
★ Automobile Production	80,030	73,335	37,665	53,385	88,770
★ Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$4,675	\$4,640	\$3,591	\$2,843	\$2,703
★ Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$9,875	\$10,389	\$10,355	\$7,491	\$7,507
★ Electric Power Output (million kilowatt-hours).....	2,207	2,226	2,154	1,939	2,202
Crude Oil (daily average, 1,000 bbls.).....	3,629	3,238	3,249	3,382	3,533
Bituminous Coal (daily average, 1,000 tons).....	1,426	†1,349	1,321	859	1,545

TRADE

★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	74	74	73	63	80
★ All Other Carloadings (daily average, 1,000 cars).....	44	44	43	28	48
Check Payments (outside N. Y. City, millions).....	\$4,490	\$4,161	\$4,409	\$4,105	\$4,581
Money in Circulation (Wednesday series, millions).....	\$6,706	\$6,654	\$6,640	\$6,407	\$6,565
Department Store Sales (change from same week of preceding year).....	-5%	-0%	-15%	-15%

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	144.1	144.1	144.2	136.6	152.9
Iron and Steel Composite (Steel, ton).....	\$36.56	\$36.54	\$36.61	\$38.52	\$39.17
Scrap Steel Composite (Iron Age, ton).....	\$14.50	\$14.42	\$14.25	\$11.75	\$13.50
Copper (electrolytic, Connecticut Valley, lb.).....	11.250¢	11.250¢	10.663¢	10.000¢	11.083¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.64	\$0.65	\$0.64	\$0.81	\$0.96
Sugar (raw, delivered New York, lb.).....	3.05¢	3.10¢	3.14¢	2.76¢	3.24¢
Cotton (middling, New York, lb.).....	\$8.94¢	8.94¢	8.50¢	8.66¢	7.92¢
Wool Tops (New York, lb.).....	\$0.846	\$0.840	\$0.840	\$0.805	\$0.875
Rubber (ribbed smoked sheets, New York, lb.).....	17.05¢	16.81¢	17.15¢	11.81¢	14.56¢

FINANCE

Yield—Corporate Bonds (Standard Statistics, 45 issues).....	5.68%	5.72%	5.74%	6.29%	5.27%
Yield—U. S. Bonds (average of all issues due or callable after 8 years).....	2.28%	2.28%	2.30%	2.31%	2.62%
Yield—U. S. Treasury 3-to-5-year Notes.....	0.69%	0.69%	0.67%	0.82%	1.34%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	%-¾%	%-¾%	%-¾%	%-1%	1.00%
Business Failures (Dun & Bradstreet, number).....	216	251	192	242	175

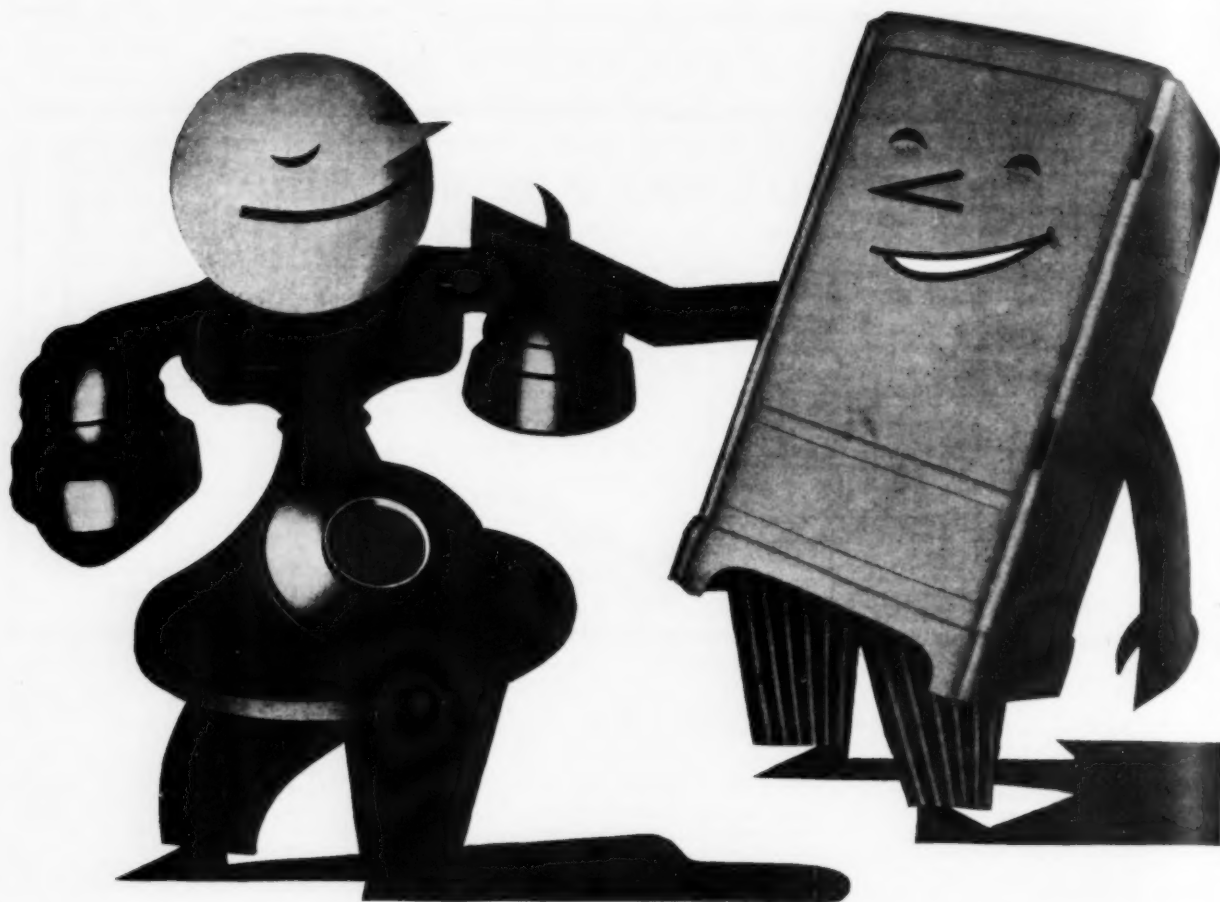
BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	15,766	15,995	15,396	14,450	14,610
Total Loans and Investments, reporting member banks.....	21,408	21,493	21,189	20,842	21,654
Commercial and Agricultural Loans, reporting member banks.....	3,889	3,915	3,896	4,126	4,761
Securities Loans, reporting member banks.....	1,299	1,300	1,209	1,239	1,561
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks..	9,818	9,841	9,734	9,323	9,105
Other Securities Held, reporting member banks.....	3,263	3,306	3,215	3,002	2,924
Excess Reserves, all member banks (Wednesday series).....	3,220	3,280	3,020	2,442	1,046
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,582	2,580	2,593	2,569	2,539

STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	131.6	129.7	128.1	101.6	110.6
20 Railroads, Price Index (Standard Statistics).....	32.7	32.0	31.4	24.2	33.5
20 Utilities, Price Index (Standard Statistics).....	68.3	66.7	62.5	58.1	61.7
90 Stocks, Price Index (Standard Statistics).....	106.1	104.5	102.3	82.5	90.6
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	1,679	†1,333	1,828	965	1,424

★ Factor in Business Week Index. * Preliminary, week ended November 5. † Revised. § Date for "Latest Week" on each series on request.



LONG DISTANCE wins

WARM PRAISE from FRIGIDAIRE!

The Frigidaire Division of General Motors Corporation makes wide use of Long Distance telephone service *every day* . . . to regulate production . . . to keep in close contact with changing markets . . . and to stimulate sales.

Long Distance in Production

By telephone, Frigidaire orders materials, follows up deliveries, and maintains an economical balance between production and distribution. *By telephone*, frequent contact is made with 47 distributing points, to check local trends and obtain sales forecasts upon which production schedules can be based. Wide areas are canvassed quickly at small cost.

Long Distance in Sales Work

By telephone, Frigidaire sales executives are in

constant communication with branches and distributors, explaining new policies, outlining new advertising and selling strategy. In turn, the news is telephoned to dealers . . . dealers instruct their salesmen . . . and a nation-wide selling organization of 20,000 goes into concerted action.

Frigidaire is well pleased with its investment in Long Distance—for many phases of the company's distribution and sales promotion can be handled better by telephone for *speed*—for *discussion*—and for *complete understanding*.

Your business requirements may be quite different from Frigidaire's, but judicious use of Long Distance telephone service may prove as profitable for you.



BUSINESS WEEK

November 12, 1938

THE BUSINESS OUTLOOK

Election strengthens conservatism and improves business confidence. But New Deal reforms remain, limiting profits. Wider profit margins depend on labor-saving machinery.

THE BUSINESS OUTLOOK has been immensely strengthened by the election results. Business men are divided between the Democratic and Republican camps, but the great majority in both are anxious for a more conservative trend in public affairs. Such a trend, already apparent when the "purge" of conservative Democrats failed at the primaries, has now been fully established by the heavy Republican gains at the elections. Whether in the House, the Senate, or the state capitals, these gains have equalled or exceeded the hopes of the Republican leaders.

Means More Conservatism

The importance of all this for business may be summed up under two headings—the coming session of Congress and the long-term outlook. Without doubt the legislation to be passed in 1939 will be strongly influenced by the increased Republican representation and, even more, by the state of mind created among Democratic members by the lesson of the polls. Banking, public utility, railroad, and monopoly legislation are bound to be less radical than might otherwise have been possible. Indeed, the administrative policies of the executive branch in some of these matters may well be modified. The chances of amending the National Labor Relations Act are improved. Above all, the plan to increase income tax rates on undistributed profits and capital gains is effectively smashed.

Helps Business Confidence

Turning to the long-run point of view, we may expect the temper of the voters to be reflected in the temper of investors and business men. The day of New Deal landslides—1932, 1934, and 1936—is past, and the American people have gone back to a two-party régime. It appears that the pendulum, however far it may swing to the left, is not going to go outside the profit system itself. With this basic fact established, one can begin to

hope for a return of some of that fundamental confidence in the future which is the only soil in which long-range business plans can thrive. Of course the pendulum might swing the other way in 1940, but for the time being the current is running toward conservatism and there are many

who will consider venturing their funds on that current.

What of Profit Margin?

In addition to a political stability greater than has prevailed for several years, long-term investment and capital expansion require the prospects of a profit sufficient to offset the risks involved. Many important New Deal reforms remain with us and will not be repealed (even if amended). These include social security, regulation of securities, banking control, collective bargaining, farm price control, etc. The question is whether under these new conditions the profit margin can be large enough to stimulate business as it has in the past.

This Much Was Produced

Light on this matter may be shed by a comparison of 1929 and 1937, years which marked the peaks of two business cycles, the downturn occurring each time in the last quarter of the year. Between 1929 and 1937 the total volume of manufacturing and mining output in the United States dropped 74%, and the price level (excluding farm products and foods) dropped 7%. Thus the total value of output fell off 14%. Another and perhaps broader measure of the same thing is given by the estimates of national income produced, which likewise show a 14% decline.

This Much Was Earned

In contrast with this 14% drop, what happened to business profits? Earnings of 120, 168, and 200 industrial corporations, as compiled by the Standard Statistics Co., the Federal Reserve Bank of New York, and the National City Bank, respectively, were down 24%, 27%, and 18%. These series, however, are unduly favorable to corporation earning power, since they include large, growing, and now existing corporations only. The estimates of the Department of Commerce for total dividends paid, plus total rein-

In the Outlook



Lionel Green

When steel operations again jumped this week—from 56.8% to 61% of capacity—it was further indication that business was recovering on a broad front, with the heavy industries really getting going. But for the steel industry, good news was not unmitigated. The Public Contracts Board set Walsh-Healey wage standards which promise to raise wage rates, narrow profit margins (p18).

vestment of profits (the latter figure including non-corporate as well as corporate enterprise), indicate a decline of 36% between 1929 and 1937, and this probably comes much closer to the truth.

Wages and Taxes

The 1937 figures do not take full account of the rise in wage rates which occurred during that year or of the increase in unemployment insurance taxes which occurred in 1938. These items have not added heavily to the burden of costs, but their mention indicates that the comparison (assuming the same volume of output) is as unfavorable as in 1937.

Use Labor-Saving Machinery

The "New Deal profit margin" of 1937 was one of the underlying influences which prevented the business rise of 1936 from blossoming into a full-fledged capital goods prosperity. Its continuation or further shrinkage in 1939 may well have the same unfortunate effect again. Since the margin can be improved very little, under present conditions, by cutting wages or taxes, the hope for business lies in its reduction through improved processes of work and installation of cost-reducing machinery. The sales and technical progress of the machinery and equipment industries, therefore, carries a significant responsibility for restoration of sound business conditions.

Idealism or Realism—Up to F.D.R.

Election returns confront Roosevelt with the necessity of throwing overboard New Deal reforms or sacrificing party harmony, vital to success in 1940.

WASHINGTON (*Business Week Bureau*)—Practical politics will war with New Deal progress in the mind of Franklin D. Roosevelt from now on. His burning zeal to complete the prophet's job and lead the people to his new land of Canaan will run head-on into that shrewd political reasoning which is well known to his friends and proved by his own realistic private estimates of the outcome of recent purge battles.

His inclination will be to start new fights, to demand new reforms, to boost organized labor's more radical proposals, to seek further control of the judicial and legislative branches of the government, to win more power for the federal as against the state governments, and to increase upper-bracket taxes.

But to pursue any of the objectives will run him squarely into another fight with the Southern conservatives, heartened by their purge victories and made positively cocky by the election results.

The election proves to any politically-minded person that if the Democrats can function for the next two years without a devastating division in their ranks, they can win the next Presidential election, for they carried states with a total of 302 electoral votes, as against 266 necessary to elect. To precipitate the kind of fight which Roosevelt would love, therefore, would unnecessarily endanger the almost certain carrying on of the New Deal program.

Outside of New York, the one election in which Roosevelt, New Dealers generally, and the Committee for Industrial Organization were most interested was the race of Gov. Murphy in Michigan—not so much because Murphy is a real New Dealer as because of his handling of the sit-down strikes. The defeat of Murphy after Roosevelt's endorsement was a direct slap. Should any radical labor proposal be made in the next two years, conservatives in the House and Senate are not likely to forget that "foxy grandpa" Jack Garner was 100% right politically when he opposed Roosevelt and Murphy and argued for emphatic rebuke of the sit-down strike. As a matter of fact, that difference of opinion marked the first break between Garner and Roosevelt and the first epoch-making cleavage between the Southern conservatives and the New Dealers.

One thing is certain: Murphy's defeat now strengthens the hand of the conservative bloc that wants to amend the Wagner act, and it is questionable how far Roosevelt can go in trying to stop them without widening the party breach.

Farmers Help Beat Bulkley

Not so helpful in guiding the Administration or Congress is the farm revolt. Washington knows now that, however the farmers of the country may like federal checks, they do not like the new Wallace farm relief measures which the Administration put into effect and which the mounting surplus promptly put out of joint. It was the farm revolt which toppled over Sen. Bulkley and gubernatorial Candidate Sawyer, both ardent New Dealers, in Ohio—that, plus the fact that the New Deal policies did not win anything like the measure of approval in Cleveland and Akron and Youngstown which Madam Perkins and the Cohens and Corcorans had expected.

More money for the aged is assured by the election, but no such radical proposal as the "ham-and-eggs" formula

How Voters Acted on Main Issues

HUNDREDS of important constitutional and legislative proposals were on the ballot in many states and cities at the Nov. 8 election; but as votes on candidates are usually counted first, an appreciable time elapses before the results of the votes on all the important proposals can be tabulated. Meanwhile, here are a few highlights on issues that affect business:

Oregon—A drastic curb on union activities was approved. Among other things, it forbids picketing unless the employer and a majority of his employees are in controversy on "matters directly pertaining to wages, hours, or working conditions"; it forbids a boycott of any employer not directly involved in a dispute with a majority of his employees; and it forbids the collection of any dues that will build "a fund in excess of the legitimate requirements of such organization." Voters rejected a 2% transaction tax to provide old-age pensions up to \$100 a month. A plan to put the sale of beer and wine in state stores was defeated.

Washington—An initiative measure to restrict strikes and other union activities was turned down. Proposals to establish public utility districts were approved in some counties and rejected in others.

California—Voters defeated the proposed constitutional amendment for stringent regulation of labor unions. They also disapproved the \$30-Every-Thursday plan for pensioning with state scrip every unemployed person above 50. Another loser was the proposal to repeal the sales, use, and private car taxes and substitute a single tax on land values.

Colorado—Chain stores suffered a severe blow when Colorado voters refused to repeal the chain-store tax law, which they approved two years ago. The influence of this vote may be felt in Congress, as Rep. Wright Patman intends to press for quick enactment of his federal chain-store tax measure. Colorado also turned down the proposal to repeal the two-year-old constitutional amendment granting \$45 monthly old-age pensions.

New York—Among constitutional changes approved were: Authorization of state aid for social security; guarantee of labor's right of collective bargaining; eight-hour day and 40-hour week for workers on public contracts; \$300,000,000 bond issue for housing; relieving railroads of nearly all the expense of grade-crossing elimination; exclusion from New York City's debt limit of \$315,000,000 to be spent in transit unification.

North Dakota—Voters approved \$40 monthly for everybody over 60.

Louisiana—Reduced severance tax on sulphur. Tax-exempted homesteads, factories (three years), and bridges across the Mississippi.



Robert A. Taft

Victory in key Ohio puts the Taft name once more in the Republican Presidential spotlight.

Sheridan Downey

He carries to the Senate the \$30-Every Thursday virus, though the plan itself was defeated.

Frank Murphy

Defeat of Michigan's governor was a major blow to labor in an election day full of such hurts.

Phil La Follette

Refusal of a fourth term for Wisconsin's governor aborts his third-party aspirations for 1940.

Wide World

of California. The Golden State rejected that policy in referendum even while rolling up a fat majority for its leading advocates. Meanwhile, New England sent a flock of Townsendite Republicans to join Sen. Pepper of Florida.

Clark Victory Disquiets F. D. R.

Another thorn in the Roosevelt side, as he contemplates the elections and what it does to his actions from now on, is the tremendous majority rolled up by Bennett Champ Clark, in Missouri. Clark, whose father was barred from the White House by William Jennings Bryan after he had won nearly every Presidential primary he entered, is now well out in the lead for the 1940 nomination—always excepting Roosevelt. He has the tacit approval of Jack Garner and anti-New Dealers. After battling the President on most of the controversial issues, Clark not only won his primary against New Deal opponents in a walk, but romped in with a 200,000-odd majority.

Nor does the re-election of Sen. "Dear Alben" Barkley by a huge majority provide much balm in Gilead. Barkley is also a Presidential aspirant, and conceivably one with a potential Roosevelt blessing (though it is his devoted obedience, rather than his intelligence, which is so highly esteemed at the White House). But another Democrat, Sen. Sheppard of Texas, has just about ruined Barkley for any national honors. Sheppard has investigated WPA vote-corraling in Kentucky with such thoroughness that it has become a public scandal.

Also somewhat disconcerting was the failure of the WPA in strategic points to support New Deal candidates in the style that had been expected of them. For instance: State Administrator Ely's tragic showing, despite the overwhelming

majority of 130,000 rolled up for him by Frank Hague's minions in Hudson County, N. J.

Disappointed as Hague may have been in the Jersey result (some New Dealers are saying he did not "go down the line," but one wonders just what they expected Jersey City to do) he must have been a little pleased at the defeat of Jerry O'Connell, out in Montana. O'Connell, who has been the white hope of the New Deal to beat No. 1 New Deal Enemy Burt Wheeler when Wheeler comes up for Senate re-election next time, was going to denounce Frank Hague from the platform right in Jersey City, but somehow didn't get around to it. However, Hague's delight in the O'Connell defeat was probably more than offset by the return to Congress of former Rep. Vito Marcantonio, New York radical, who has been denouncing Hague at every opportunity.

Auto Finance Decree

Government announces it—but it's only a truce, not a final solution.

DESPITE POWERFUL NEWSPAPER headlines, the consent decrees filed this week in South Bend, Ind., by no means establish a final anti-trust settlement between the federal government and automobile companies and large automobile finance companies. It is true that a truce has been established between the Attorney General's office and the Ford Motor Co., Chrysler Corp., Universal Credit Co. (subsidiary of Commercial Investment Trust), and Commercial Credit Co. But that truce represents neither a surrender nor a permanent solution.

General Motors Corp. is still to be heard from—in court. And G.M. has consistently refused to enter into any consent decree so long as the government stipulated that it divorce its finance affiliate, General Motors Acceptance Corp.—biggest company in the field. And if G.M. wins its case, then the consent decrees go overboard—because Assistant Attorney General Thurman Arnold promised to release Ford, Chrysler, Universal Credit (which has done the Ford financing in major part) and Commercial Credit (which has been the authorized Chrysler finance unit) from their legal undertakings, if G.M. won. Arnold agreed to this so as not to confer on G.M.A.C. permanent competitive benefits.

Smaller Companies to Meet

The filing of the decree was nicely timed. It set the stage for this week's Chicago convention of the American Finance Conference, a trade association of the smaller finance companies, which have pressed the cry of "monopoly" against the "big three" finance companies—G.M.A.C., C.I.T., and C.C.C. The latter are not members of the American Finance Conference, but G.M.A.C. and C.I.T. are dominant members of the National Association of Sales Finance Companies, whose annual convention takes place this coming week, also in Chicago.

On the surface, the terms of the consent agreement, as announced by the government, would seem to give the small finance companies everything they want. But some of the smaller companies, through their counsel, have protested; this suggests that the actual decree, when and if approved by the court, may contain surprises.

The decree would seem to establish a

code of fair practice for the sales finance industry—particularly with respect to attaching earnings of debtors; also it restricts the use of the names of finance companies in the advertising of the motor manufacturers. Ford, for instance, agrees not to advertise the name of any favored finance company. Chrysler stipu-

lates that "if it advertises any named finance company," it will "advertise by name all finance companies" that furnish the same terms and services.

In announcing the advertising terms of the decree, Mr. Arnold criticized advertising in general as a device to foster monopoly.

Auto Shows Start Confidently

Cars are already pretty well known to public, so attendance records won't be set, but outlook for new season pleases the industry.

WITH THE WEAKENING effect of pre-show announcements largely offset by a tremendous upsurge in optimism, the automotive industry on Armistice Day threw open its doors at the New York and Chicago national as well as several dealer shows.

This year's shows are not expected to set new records in public attendance. Too much of the drama has been spoiled by cars already on display at dealers' show rooms. Neither are they expected to draw heavily in attendance from dealers, as most of them are already head over heels into the new sales season's activities.

The 1939 season should show the wholesale value of cars and trucks sold in the United States and Canada once more crossing the two-billion-dollar mark. Registration of cars and trucks in the United States, which dropped off close to a million during the past 12 months, from the record high set in 1937, may yet cross 30,000,000 by next fall, for the first time in history.

Employment Likely to Improve

Employment in the automotive industry, some 35% under 1937 totals, compared to a production decline of 47%, should be somewhat better in the coming 12 months.

Exports, which in 1938 reached the all-time high of 20% of total production—largely due to the correspondingly greater decline in domestic sales—may not look as good percentage-wise in 1939, but are expected to show a slight numerical increase.

Car prices have been reduced somewhat but are still above 1937 levels, insuring profitable operations if sales hold up. Discounts have been increased slightly here and there.

Used car sales have not even as yet picked up at a rate corresponding to the pickup in new car orders. The next 60 days must show an improvement if the present upward trend in new car sales is to continue.

The United Automobile Workers are still a big question mark. Sidney Hillman and Philip Murray, leaders in the C.I.O., may have solved the internal dif-

ficulties of the U.A.W. by reinstating fired officers, as far as the general public is concerned, but in Detroit's Griswold Building the hired help still dares not say good morning except to those who greet them first. Against the orders of Homer Martin—away in Washington—the executive board, now controlled by the Frankenstein-Reuther-Thomas coalition, this week held a closed session, the purpose of which was not revealed. Last week the board refused to act on a question of delegates to the U.A.W. convention—requested by Martin. Martin, today, stands almost alone in the union he has done so much to build. Deserted by all but a handful of the executive staff, he is grimly trying to salvage what he can out of the promising relations he personally established with most of the automo-

bile companies in the course of the past 12 months.

Most observers believe that Martin is through—that the next convention will see him removed from the union's presidency. What that will mean to the industry no one can predict. Much will depend on who succeeds him. Car factories at least, have their fingers crossed for the next few months.

May Ask Parts Rate Standards

In the wind, too, is the U.A.W.'s standardized contract for the parts and equipment industry. In the next few weeks, locals may begin to demand that individual parts plants standardize hourly wage-rates for different jobs. Most parts plants outside the Detroit area feel they cannot afford to pay the same wage rates as Detroit plants, since they must add transportation costs to their own to compete with local companies on a price basis.

Final Pre-Show Flashes: Buick plans 56,000 cars for November-December, biggest program in its history. . . Plymouth output expected to exceed November-December last year by five to six thousand. . . Both Ford and Chevrolet expected to exceed November-December 1937 figures also (1937 figures: 123,000 and 219,000 respectively). . . Hupp announces price of its six-cylinder Skylark (with Cord body) at \$895. . . Willys-Overland has decided to rename its car the "Overland," reviving memories of former days. . . Studebaker reports October sales of cars and trucks best in 12 months.

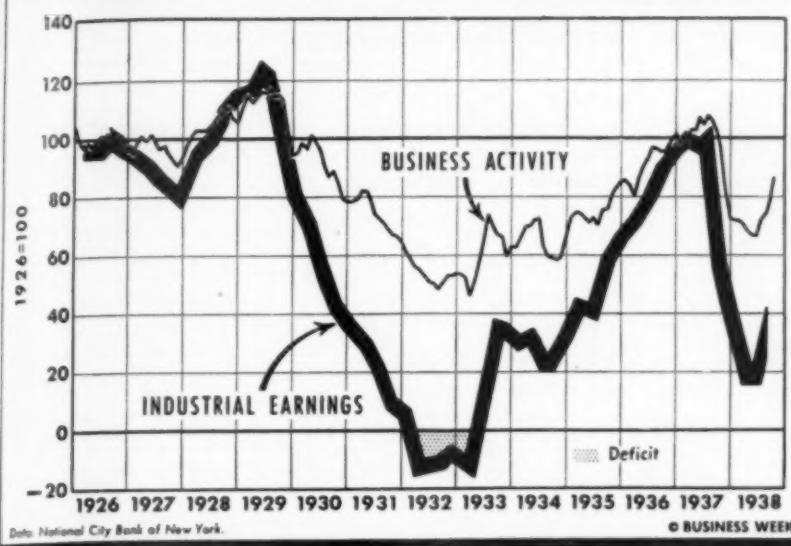
Television Previews the Auto Show



Thursday afternoon auto manufacturers were given a demonstration of the practical application of television in the NBC television studio in Radio City, when the NBC mobile television unit broadcast a parade of 1939 cars in Rockefeller

Plaza, and followed it up with a broadcast, in the regular television studio, of exhibits from the automobile show—springs, upholstery, gear shifts, motors, etc.—and portions of two films showing 1939 cars in operation.

EARNINGS TURN UP WITH BUSINESS



Purely from a dollar and cents standpoint, third quarter profits (at \$107,000,000) registered only a small gain (less than 2%) over the second quarter (\$105,000,000). But on a

seasonally adjusted basis (because earnings commonly drop from the second quarter to the third quarter), the index of earnings jumped sharply —along with business activity.

Corporate Earnings Show Strength

Third quarter surpasses second, not only in net income but in profits on net worth, despite the seasonal slowness of summer months.

INDUSTRIAL CORPORATIONS demonstrated earnings' resilience in the third quarter of this year. Not only did dollar net income exceed second-quarter results, but profits on net worth (invested capital plus surplus) showed a sharp contra-seasonal increase—more than 100%.

This was ample testimony that corporation executives in the last three months of 1937 and the early part of 1938 got their costs under control, as indicated by BUSINESS WEEK (Oct 15 '38, p. 39). In brief, management has succeeded in translating a large portion of the increase in general business activity to net earnings.

Pleasant for Stockholders

The third quarter earnings compilation by the National City Bank shows net income for 290 industrial companies at \$107,000,000, as compared with \$105,000,000 in the three months ended June 30. This record was exceptionally satisfying to stockholders generally. The third quarter of the year includes the hot summer months of July and August, and normally cannot be counted to produce exceptionally good earnings, as compared

with the second quarter, which comprises the spring months of April, May and June.

Probably the second quarter of 1938 marked the low point of the 1937-1938 depression. In that quarter, the National City Bank index of earnings (as a return on net worth) fell to 20.8, the lowest point since the second quarter of 1933. In the three months just ended it rebounded to 42.0 (preliminary), and the indications are that the final quarter will find the index still higher.

Steel corporation earnings was a particular drag on the index; and though most steel companies will not show a brilliant resurgence during the current quarter, in view of the bookings at cut prices (BW—Nov 5 '38, p. 43), the industry seems to have turned the corner. Wheeling Steel's astonishing reversal, from a \$624,888 loss in the second quarter to a \$606,908 profit in the third quarter, although by no means typical of the steel industry, at least suggests that with a higher rate of operations, profits can be realized.

Outstanding results during the first nine months of the year were attained by

companies in the consumer goods lines. Baking companies, profiting from low-cost wheat, improved their profit margins, as did corn refining companies, which benefited from low corn prices. Baking, incidentally, was the only industry to show a nine months' profit in excess of that for the corresponding period of 1937. The gain, for seven corporations, was 11.2%.

Baking companies reflected this improvement in their earnings on net worth. For the first nine months of 1938, income on investment was 9.5%, as against 8.4% in the first three quarters of 1937. For all corporations, the return was 3.9% as compared with 12.7% recorded during last year.

Sales Records Contrasted

The stability of the consumer goods industries shows most clearly in sales figures. Sales of chain and department stores, which handle in major part lighter merchandise, were down only 7% in the first nine months of the year in comparison with the figures for the same period of last year. Sales of 40 manufacturing companies, on the other hand, were off 27%.

One outstanding division of industry, which broke away from the trend, was aviation. Because of heavy armament demand airplane manufacturers ran counter to the downward drift. Douglas proved to be an outstanding performer, but other aviation companies were not far behind.

The building industry, despite the broad improvement in contracts awarded, has not yet translated this to earnings. Reason: there is a lag between the signing of a contract and the ordering of building supplies, such as lumber, cement, plumbing fixtures and so on.

Currently, the greatest gains are expected to be shown by the heavier goods industries—those which have been depressed most severely—rather than in consumer goods lines, which have been operating at more stable levels and therefore are not recovering from such low levels.

Profits and Level of Activity

Entering into the problem of corporate profits right now are the general increase in taxes, higher wage levels, shorter work weeks, and higher raw-material prices. It is significant that during the third quarter of 1938, the profit index stood at 42.0 while the BUSINESS WEEK Index of Business Activity averaged 75.3. In the second quarter of 1935, when the Business Index was lower—at 72.1—the profit index stood at 43.8.

In other words, on the basis of a lower volume of general business activity, in the second quarter of 1935, profits were higher than they are today. The conclusion is inevitable that higher costs of doing business have narrowed profit margins.

LABOR AND MANAGEMENT

Drive for Higher Steel Wages

Walsh-Healey minimum for common labor hits independent plants, spurs demand for higher skilled rates in both unionized and non-unionized companies.

A GENERAL PUSH UPWARD in steel wage rates—that's the outlook which the steel industry faced this week as a result of the action of the Public Contracts Board in recommending the establishment under the Walsh-Healey act of new minimum rates for common labor employed in the production of steel for sale to the government.

The new minimums of 62½ cents an hour in the North and West and 45 cents an hour in the South, already prevailing pretty generally in contracts negotiated with the Steel Workers Organizing Committee, will raise the level in most independent plants.

Perhaps even more significant is the outlook for an increase in wage rates paid skilled and semi-skilled labor throughout the industry generally. Agitation for such increases in the non-unionized plants would follow naturally

as a result of the boost in the basic minimum. In the unionized plants such increases are certain to be brought sharply into focus when S.W.O.C. sets about negotiating new contracts in February, for although there is a rather well-defined differential between wage rates for common and skilled labor which is already recognized in S.W.O.C. contracts, it's no secret that those differentials have been under heavy pressure. Freed by the action of the Walsh-Healey board from fighting to maintain the basic minimum, Philip Murray and his S.W.O.C. will be able to bear down on the establishment and maintenance of differentials for the skilled and semi-skilled laborers.

Aims at Steel Fabricating Rates

Having won his fight on the establishment of 62½¢ and 45¢ minimums for the steel producing industry, Murray will

now seek to prevail upon Sec. Perkins' organization charged with administration of the law to fix basic rates for the fabricating industry—an enterprise which he is likely to be successful.

The finding in favor of only two rates, 62½ cents and 45 cents, is in line with S.W.O.C.'s effort to eliminate regional differentials but leaves room for modification as between large and small plants. The board recommends further study of this problem and application of staggered minimums according to size. A possibility to establish a minimum wage is at least a possibility to establish a Walsh-Healey wage-and-hour regulation. All companies possess the option, of course, of withdrawing from government business. Some plants may do so, but court challenge of Sec. Perkins' order—once it is made final—is reckoned much more likely and realistic approach to the problem. There is no indication that the law, as eventually applied to steel, will cut into the supplies needed by the government, although some concern is expressed that companies engaged in making secret munitions may be out. Speculation in Washington points to some reductions in pay rolls with establishment of minimum wage rates on government orders.

Devised as an expedient to maintain wage levels following collapse of the National Industrial Recovery Act, the Walsh-Healey law is steadily extending its reach. The marked activity of Sec. Perkins' organization is explained in some quarters as evidence of an

Western Electric's Open Houses Please Workers and the Public



Last spring (BW—May 14, 1938, p. 46), Western Electric Co. held an open house at its giant Hawthorne plant in Cicero, suburb of Chicago. Workers, when off duty, were invited to come in and see what the other 15,000 employees did—and to bring their friends. The open house went over big with employees—and the public.



Last week Western Electric began the same thing at Kearny, N. J., plant, and has had upward of 50,000 visitors. The big show is the endless work behind the simple "hello" of a telephone operator, but young visitors (like the ones above at right) are more interested in the manufacture of radio broadcasting equipment.

R. J. REYNOLDS TOBACCO COMPANY APPLIES COMPTOMETER ECONOMY



Model K Electric Comptometer in Reynolds' Leaf Department

The tobacco industry is something more than lush fields of gold-leafed "weeds," raucous auctioneers, warehouses, machinery, and smart merchandising. There are *figures* to be considered . . . figures on costs, production, sales, distribution and other involved accounting work.

The R. J. Reynolds Tobacco Company of Winston-Salem, North Carolina, makes the largest selling brand of cigarettes in the world. Figures on Camel Cigarettes are impressive—and so are the savings effected through the use of Comptometers at Reynolds' home office.

A number of years ago it was decided to try the Comptometer on billing work. The results were highly satisfactory. Not only was the work done faster and with greater accuracy, but *savings effected during the first six months alone were more than sufficient to pay for the machines.*

As further evidence of Comptometer speed, accuracy and economy, this equipment has since been applied to other phases of this great Company's figure work and the results have been most gratifying.



This comely inspectress sees that no loosely packed Camels get by. The Controlled-Key, exclusive feature of both Standard and Electrical Comptometers, sees that no inaccurate or fumbled key-strokes get by.



3500 to 4500 invoices each day are handled by these trained Comptometer operators at the R. J. Reynolds Billing Department. Latest Electrical Model K Comptometers are used.

Thus another great leader in American Industry applies Comptometer methods and Comptometer economy. Are you overlooking potential savings in the handling of your firm's figure work?

A representative will gladly demonstrate (in your office, on your job) how Comptometer methods solve the toughest figure-work problems.

Telephone your local Comptometer office, or write direct to Felt & Tarrant Mfg. Co., 1733 North Paulina St., Chicago, Ill.

COMPTOMETER

Reg. U. S. Pat. Off.

tention to put administration of the new wage-hour law in the shade, since Congress refused to make her the boss. In addition to those industries for which labor standards have already been set, those now going through the Walsh-Healey mill include flour and cereals, tobacco (except cigars), soap, airplanes, cement, ammunition, explosives, aerial survey, and specialty accounting and sales book equipment.

Minimum Is "Prevailing Rate"

Applicable only to goods produced on government contract—a limitation which is in no sense a narrow one when it is considered that many producers of standard commodities must be prepared to fill government orders out of regular stock—the Walsh-Healey act is much broader than the wage-hour law. The minimum that Sec. Perkins is empowered to fix is the "prevailing" rate. Most of the minimum rates set under the Walsh-Healey act to date are close to or over the 40 cent minimum which is the level that wages are supposed to hit within a six-year period under the wage-hour law.

The Walsh-Healey act also prescribes a 40-hour week (with time and a half for overtime) which won't become operative under the wage-hour law, until October 1940. The Walsh-Healey work week has covered 2,500,000 workers or 20% to 25% of the total number employed in manufacturing enterprise. Minimum wage rates, already fixed or now pending, will cover about 1,150,000 employees of contractors on government work.

Industries in which minimum wage rates have been fixed are as follows: Men's work clothing, 37½¢; cotton garments and allied industries, 37½¢; leather and sheep-lined jackets, 42½¢; work gloves, 35¢; seamless hosiery, 35¢; men's neckwear, 50¢; men's raincoats, 40¢; men's hats and caps, 67½¢; men's welt shoes, 40¢; men's underwear, 35¢ in the North, 32½¢ in the South; dimension granite, 32½¢, 42½¢ and 57½¢ according to region; handkerchiefs, 35¢; envelopes, 42½¢; vitreous or vitrified china, 42½¢; flint glass, 42½¢; luggage and saddlery, 40¢; carpets and rugs, 40¢; commercial fireworks, 31½¢; and tags and labels, 33¢.

C.I.O. Parley May Offer Peace

Pittsburgh convention is likely to attempt reconciliation with A.F.L., and possibly Lewis will step down from active leadership of 41 unions.

WHILE UNION LABOR kept an eye on the election returns this week, just as business management was doing, it wondered what would happen at an immediate post-election event: the first C.I.O. convention. At Pittsburgh next Monday, the 41 affiliated industrial unions will meet to set up a permanent organization. Heretofore they have been loosely associated in a friendly way, with a temporary committee arrangement at the top.

Points Interesting Business

Business interest in the convention is mostly centered on these questions:

1. Will John L. Lewis voluntarily step out of his unofficial "presidency" to a position on the policy-making board, leaving active direction and administrative command of the new federation to Sidney Hillman or Philip Murray? Such a move, many of Lewis' friends privately assert, would not only increase the prestige of the industrial-union movement but also would help make the American Federation of Labor feel more like "making up."

2. Will the convention publicly offer a peace plan to A.F.L.? Odds are that it will, and that Lewis again will call for William Green's retirement to match his own.

3. Will the C.I.O. issue new statements about its position on the Wagner act and

other labor legislation? This step seems imperative, as President Roosevelt, National Labor Relations Board members, and the A.F.L. all have spoken their sentiments since anything was heard from C.I.O.

For many of the delegates, it will be their first convention. Others, who used to be A.F.L. members, will know the ropes better. They will know, for instance, that numbers and money count heavily, and that the steersmen will be the miners, clothing workers, steel makers, electrical and radio workers, automobile workers, and rubber workers. They have the most members and the most delegates. The miners have put the most money into C.I.O., with the clothing workers next.

Standing committees, appointed last April, will report on legislation, housing, unemployment, and social security—and resolutions will be offered, debated, and passed calling for liberal advances on all fronts. More or less permanent committees will be appointed to handle publicity and lobbying on each front.

On the subject of Wagner act amendment, the C.I.O. is expected to stand firm for the status quo. That has been its sentiment for some time, its leaders feeling that even an expression of a willingness to "talk it over" would be taken as a sign of weakness.

As to peace with the A.F.L., Lewis and



Front man—but John Lewis may make overtures to A.F.L. by moving into C.I.O.'s background.

others feel that making the industrial union federation permanent may help that it would tend to dissipate the sinuation of several A.F.L. leaders during the past year that "the C.I.O. is disgracing." Several of the top C.I.O. policymakers have been discussing formal peace recently, with the following trends in mind:

1. Now that elections are over, political differences won't make so much difference. Partisan activities held some the individuals apart until this week's showdown at the polls.

2. Labor didn't fare so well in some states, and the local commanders felt that unity is a desperate need. Looking ahead to 1940, they'd like to get unions under the same tent.

Teamsters' Leader for Peace

3. The solid front of A.F.L. crumbled badly in its October convention, when Daniel Tobin of the teamsters led a revolt against the executive council and demanded that steps be taken to put up the quarrel with C.I.O. Since the Tobin, Secretary of Labor Perkins, Dan Dubinsky of the ladies' garment workers and others have sought earnestly to build a framework built to hang peace proposals on.

4. The Administration, from President Roosevelt down, is increasing its pressure on both organizations. The President asked A.F.L. to leave the door open for peace, while it was in convention, and would surprise no one if he sent a similar message to C.I.O.

Therefore, there is every chance that the industrial unions' convention may find its major piece of work in this field. It is warlike instead of pacific, it will express the will of the rank and file. Close observers know the setup.

"Gee," said the foreman, "a big bondholder, huh?"



THE KIDDING BEGAN at lunch time...

Somebody mentioned the new office building at the corner of Walnut and Main. Joe said, "I have an interest in that building."

The boys egged him on—and Joe admitted that he also had an interest in the transportation company, the electric light company, the department store, and in some city and farm real estate.

"Gee," said the foreman in mock admiration, "a big bondholder, huh?"

"Yep," said Joe, "and so are a lot of you guys."

"How d'do, Mr. Bigshot," said one. "Pardon my glove," said another, "I'm Mr. Moneybags."

But Joe was right, for Joe has a life insurance policy in Metropolitan. Part of the money he and other Metropolitan policyholders pay as premiums is set aside as a reserve and put to work helping to finance homes, farms, office buildings, utilities, and other business enterprises that help make work and jobs all over the United States and Canada.

And Joe, like all Metropolitan policyholders, has an interest in all the investments the Company makes. While the Metropolitan does not operate or control the enterprises underlying these investments, it is very reassuring to Joe to know that the Company's long years of experience and its staff of experts safeguard the selection of every investment.

Joe is vitally concerned with the success of these investments because they help guarantee that his life insurance policy, as well as every other policy, will be paid when due.

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This is Number 7 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be sent upon request.

Metropolitan Life Insurance Company
(A MUTUAL COMPANY)

Frederick H. Ecker,
CHAIRMAN OF THE BOARD

Leroy A. Lincoln,
PRESIDENT

1 Madison Avenue, New York, N. Y.



Telling the Public

Air Hygiene Foundation urges more publicity for industrial health movement.

PRACTICAL PUBLIC RELATIONS, or the building of employee, consumer, and public goodwill, is becoming a principal subject for industrial and trade associations. This week the trend toward factual discussion of better methods in letting people know of industry's contributions to the general welfare was spotlighted by a leading association whose sole purpose is promotion of employee health. Meeting in annual convention in Pittsburgh, the Air Hygiene Foundation spoke bluntly to the point: "It isn't enough to do something about it, you have to tell people you are doing it."

The foundation is in better position to move out in front with such a campaign than other associations are. It was organized in 1936 during the uproar over silicosis (*BW—Apr 25 '36, p. 26*), and did a remarkably intelligent job of getting the facts out through the crust of rumor.

Leading companies in steel, glass, mining, foundry work, refractories, and kindred industries maintain the foundation, which works closely with engineering, medical, and legal committees in conjunction with the Mellon Institute.

Some 175 companies, employing approximately a million workers, subscribe individually to the various health, medical, and preventive engineering services of the foundation. About a dozen trade associations and 62 industrial insurance companies are affiliated. Yet the general rule to date has been for the members to refrain from any mention of their membership.

Direct public relations moves, discussed this week in Pittsburgh, indicate that a good number of companies may begin to adopt one or more of the following devices: (1) a simple statement of membership in the industrial health movement, to be run regularly and unobtrusively with general advertising; (2) a statement of company policy, directed to employees and detailing the work done to preserve healthful shop conditions; (3) a similar statement of policy designed for inclusion in public releases.

LABOR ANGLES

Shaking It Down

THE SHAKEDOWN voyage of the new wage-hour law isn't ended yet, but most of the gear seems to be O.K. and standing the strain. Management is worried principally about two or three problems. Whether it is proper and legal to retain present total wages and total hours for people paid well above the minimum, by rearranging the basic scale to conform to "time and time-and-a-half"; whether the present definitions of "executives" are good enough or whether they are in fact likely to cause trouble; whether certificates of compliance need be issued to all customers (as a swarm of customers are demanding). Further statements from Administrator Elmer Andrews may aid in clarification—and court tests are an early possibility.

Time and Work

UP-TO-DATE LITERATURE on time-and-motion study, revealing new techniques and methods to increase efficiency through elimination of wasted motions, is available for the bookshelf. Walter G. Holmes, time-study engineer for Detroit Timken Axle Co., is the author of the latest book, 325 pages of factual information (Ronald Press, New York, 83.75). Ready, too, is a free film on "Motion Study Applied to Letter Indexing," released by the Tennessee Valley Authority to show how output of indexing-typists was increased 803% in government offices. It is free, on request to the Director of Information, TVA, Knoxville, Tenn. Users must pay the shipping costs, and be responsible for sending the film to the next indicated destination.

Nip and Tuck

THOSE RED-HOT RIVALS in the business of organizing wage-earners, C.I.O. and A.F.L., are on their way again. Both had cause for self-congratulation this week. C.I.O. won certification in eight of Wilson & Co.'s meat packing and processing plants in New York and Brooklyn; A.F.L. was certified in the Gulf Coast ship lines operating out of New Orleans.

That Debate on Women

THE NATIONAL INDUSTRIAL CONFERENCE BOARD has rounded up some pregnant figures for that argument about "women taking men's jobs." It seems that the percentage of male workers in the total population hasn't changed since 1870, much—but the women are persistent. In November, 1937, they had 25.13% of the jobs, whereas in 1930 they had only 22.02%. The N.I.C.B. suggests that there is more recent activity in lines which normally employ women, as compared with the tough back-breaking jobs, and

Why don't they SMASH



BOSTITCH AUTOCLENCH
Totally new principle...
light, portable, fast...
stitches tops of padded
suits securely.



**BOSTITCH
DESK FASTENER**
Most attractive fastener
for any office, yet rugged
enough for continuous factory
use.



**BOSTITCH
SELF-FEEDING HAMMER**
Drives home a staple
with every blow.



when fragile perfume bottles — millions of them — are stitched to display cards with a thread of steel — at more than six hundred an hour?

Why can similar Bostitch machines smash through steel $\frac{1}{16}$ in. thick with strong stitches at 200 per minute? Because they are Bostitch engineered . . . as are all 782 Bostitch machines. If you have a fastening problem, why not bring it within the Bostitch Service Circle? Send samples, or write for literature. BOSTITCH, 50 Division Street, East Greenwich, R. I. (In Canada, Bostitch-Canada, Ltd., Montreal.)

The BOSTITCH SERVICE CIRCLE

EASY TO GET . . . 300 specializing representatives in 81 U. S. cities, 39 foreign countries.

EASY TO GROW . . . 782 models . . . liberal trade-ins.

EASY TO BUY . . . Rental or budget plans.

EASY TO USE . . . Anyone can easily operate any of the 782 models . . .

EASY TO SUIT . . . 18 research engineers fit Bostitch to your needs.

STAPLING, STITCHING, TACKING WITH STAPLES OR WIRE

that there are more women forced to look for jobs than in normal times. Anyhow, they have one-fourth of the available jobs and are looking for more.

Unions and the Public

TWO UNIONS took a look at the public-relations text this week, and decided to take some action. The Federation of Architects, Engineers, Chemists and Technicians announced that its legislative representative, Milton Fischer, would address the American Society of Civil Engineers, TVA Section, on Friday at Knoxville, on "Unionism Today is Sound Professionalism." And down in San Antonio, Tex., the Pecan Workers Local No. 172 sent a plea for support to every labor editor in the country, enclosing material to support its statements of too-low wages.

Special Offer

BELIEVING that every employee should know the history, organization, and policies of his company, the Illinois Central Railroad has decided to help its workers get the complete story in full, at low cost. This week it offered, through its employee magazine, a 500-page, 59-chapter book: "Organization and Traffic of the Illinois Central System," to all employees. The general public can get it for \$3. Illinois Central workers will pay \$1—which is quite a bit less than the cost of publication.

More Foreman Education

NEW ADVANCES in public relations through industrial relations continue to get the attention of business management. Last week, among a number of new endeavors, Armstrong Cork got wide notice with inauguration of its training program for production supervisors. For 20 years, Armstrong's plan of training salesmen has been known as a humdinger—and has resulted in remarkably efficient fitting of men to jobs and a lowering of turnover almost to zero. Now the same plan is being adapted to foremen and supervisors. Education in history, growth, policies, and products of the company is a basic plan, and the men also will be taught job classification, employment procedure, labor grievance negotiations, and other subjects which any supervisor needs to know.

More Jobs for Graduates

A GOOD INDEX on business curves is the rise and fall of placements for college graduates. This month's news is good: 53 out of 84 universities and colleges reporting to the Northwestern National Life Insurance Co. note that 75% or more of their June graduates have found jobs. The principal fields which are shown to be absorbing the new manpower are federal and local government jobs, accounting, aviation, and selling, with a late-autumn boost from retailing and wholesaling.

"DICTAPHONE users are FANS"

says

Raymond Gram Swing,
International Radio
Commentator

"I have never been mystified by the enthusiasm for Dictaphone shown by its users. An important man has to make every minute count, and the Dictaphone never keeps him waiting. Such a man lives from his ideas and he has to catch them when they come. The Dictaphone is always alert to record them. No wonder Dictaphone users could not function well without it! That's the feeling out of hundreds of dictat- about this wonderful dictat- ing machine. They're sold all the way, and it's not sur- prising that the Dictaphone does the selling itself."



H. M. Tobolewsky
Manager Credit Sales
E. M. Kahn & Co.
Dallas, Texas

"Work never piles up because I am able to clear it away without waiting for a secretary."



Lawrence J. Michelson
Simons-Michelson Co.
Detroit, Mich.

"... find my Dictaphone indispensable... do twice the amount of work in half the time..."



F. F. Rowell, President
Independent Silo Company
St. Paul, Minn.

"Dictaphone enables me to talk to salesmen and prospects just as if I were conversing on the phone..."



THE NEW PROGRESS
CABINET DICTAPHONE



Perry W. Redman
Comptroller
City of Bridgeport, Conn.

"... I wrote between 5500 and 6000 hand-written memos a year... now I just talk them into the Dictaphone..."



Dave Prince, Division Manager
United Artists
Atlanta, Ga.

"... makes letter-writing fast and easy... I keep more closely in touch with our salesmen and exhibitors..."

NOW MAIL THIS

There is only one true Dictaphone. It is made exclusively by Dictaphone Corporation at Bridgeport, Conn.; sold through our own offices in the United States and Canada. We invite your inquiry.

The word DICTAPHONE is the Registered Trade-Mark of Dictaphone Corporation, Makers of Dictating Machines and Accessories to which said Trade-Mark is Applied.

Dictaphone Sales Corp., 420 Lexington Ave., N. Y. C. BW-11
In Canada—Dictaphone Sales Corp., Ltd.,
86 Richmond Street, West, Toronto

☐ I should like to talk with someone about the loan of a Dictaphone in the New Progress Cabinet at no expense to me.

☐ Send further information about Dictaphone.

Name _____

Company _____

Address _____

MARKETING

Fear More State Drug Laws

Manufacturers know that most legislatures will be asked to pass food, drug, and cosmetic bills. North Dakota's law has been firmly enforced.

RIGHT NOW the main concern of food, drug, and cosmetic manufacturers is over the proposed regulations for the new Federal Food, Drug, and Cosmetic Act, which are scheduled for public hearing in Washington on Nov. 17 (*BW—Nov 5 '38, p. 36*). But, at the same time, manufacturers are aware that there's going to be another tough problem to face next January. In January over 40 state legislatures are going to meet, and nearly every one of them is going to have a food and drug act of its own to consider.

Last year food and drug measures were introduced in 15 state legislatures and in Puerto Rico, and New York City threw a panic into the drug industry with a bill before the city council requiring a \$25 registration fee for all drug products. Though only five of these measures were passed, the handwriting was plainly on the wall, and just as soon as the shouting over the federal act's proposed regulations dies down, the food, drug, and cosmetic manufacturers are due to start a concerted drive for uniform food and drug acts in all the states—uniform, and as like the federal act as possible. For as long as the handwriting is going up on the wall, manufacturers figure it might as well be *their* handwriting. Already the Drug Trade Conference, representing all branches of the drug industry, has prepared a model state law it will have up for consideration when it meets in Washington Nov. 15.

Pioneers in Legislation

Up to the present, manufacturers have only had a taste of what tough state food and drug regulation was like—in Louisiana and Maine, which have registration laws for drugs and cosmetics, and, more particularly, in North Dakota, an early trail-blazer in the wilderness of food and drug legislation, which still has one of the toughest acts on record.

Ever since that act was passed, in July, 1937, North Dakota's vigorous, crusading Food and Drug Commissioner Culver S. Ladd has been lustily demanding compliance from manufacturers, big and small. Though numerous manufacturers have been trying to hold off until the federal act takes effect before they begin to make statements of active ingredients on their labels, or otherwise

comply with the North Dakota act's provisions, Ladd, to prove his state means business, has been stopping the sale of all non-complying manufacturers' products shipped into the state since last July.

After June 25, 1939, North Dakota can expect 100% compliance from manufacturers, for the federal act covers practically all of the North Dakota act's provisions. That doesn't mean, though, that manufacturers will have no more worries in North Dakota. The state act still contains one important provision that doesn't appear in the federal act: the state food commissioner is authorized to publish the reports of his "analyses, inspections, and research for the information of the public."

There are other states that test products and report on these tests (using brand names) to consumers—Alabama, Connecticut, Indiana, Maine, and New Hampshire. But none does a job as comprehensive as that of North Dakota.

North Dakota's System

At the end of each year the North Dakota Regulatory Department issues a bulletin reporting the results of the year's tests of meat; dairy products; canned vegetables; spray residue on fresh fruit and vegetables; bakery products; beverages; sugar products; coffee; tea; cocoa; spices and condiments; dairy and stock feeds, and drugs. Moreover, as North Dakota has special laws applying to paints, fertilizers, animal feeds, petroleum products, insecticides, fungicides, and flour, there were special reports in 1937—reports of tests on paints and varnishes, lubricating oil, gasoline, kerosene, tractor fuel, on sanitation in food and drug establishments, hotels, tourist camps, and dairies throughout the state.

The Regulatory Department made 4,835 inspections for sanitation last year. Each restaurant, hotel, and rooming or boarding house received a rating, which was published. For example, in Antler these ratings were made for restaurants, kitchens, and dining-rooms: Antler Rooms, 98; Savoy Hotel & Cafe, 98; Boundary Cafe, 91.5; Porky's Place, 86.5. Sleeping rooms were rated: Antler Rooms, 96; Savoy Hotel and Cafe, 98.

Thus far in 1938 the department has issued reports on its tests of tomato

Ward's New President



Insiders at Montgomery Ward have been saying for two years that when Sewell Avery decided to step down as president of the far-flung mail order house, the man to succeed him would be Raymond H. Fogler, above, vice-president in charge of operations. Last week the expected happened.

The die was cast in 1936 when Walter Hoving, aggressive young vice-president in charge of sales, left Ward to become chairman (and later president) of Lord & Taylor, New York department store. Had Hoving stayed with Ward, he might have given Fogler serious competition for the presidency. Avery is reported to have stayed up most of one night with Hoving trying to influence him to stay.

Fogler was born on a Maine farm in 1892. After taking a B.S. degree at the University of Maine, he became assistant director of the Maine Agricultural Extension Service. In 1919 he entered the commercial field as stock and floor man in a W. T. Grant store, quickly rose from one position to another and finally became one of the company's chief executives and a director. His record led Avery to pick him to skipper Ward retailing. Avery continues as board chairman, a position he also retained with U.S. Gypsum when he retired as its president in 1936.

ketchup, pickles, butter, peanut butter, dips and disinfectant, and antiseptics and mouthwashes.

Sixty samples of 22 brands of ketchup were tested. Forty-one samples, representing eight brands, proved to have a mold content in excess of the North Dakota Standard, which permits mold filaments in up to 30% of the microscopic fields. "Producers who have failed to heed repeated warnings to improve their product to at least the minimum requirements of the standard," threatened Commissioner Ladd, "will meet seizure of further

shipments of sub-standard ketchup into the state."

Since the first of the year 471 samples of butter have been examined. Of these 62, or 13.1%, failed to meet the standard, which requires at least 80% of milk fat in butter. Where a creamery has previously been shown to have been guilty of selling illegal butter, the department is now notifying the state's attorney to prosecute. Eight creameries have been prosecuted so far this year.

A total of 54 antiseptics and mouth-washes have been analyzed and reported on this year. Sample reports:

Calox. Short volume. Active ingredients not stated on label. Time at which antiseptic not stated.

Pepsodent. Short volume. Active ingredients not stated on label. Time at which antiseptic not stated.

Listerine. Short volume. Dilution and time at which antiseptic not stated.

Squibb. Short volume. Alcohol low. Dilution and time at which antiseptic not stated.

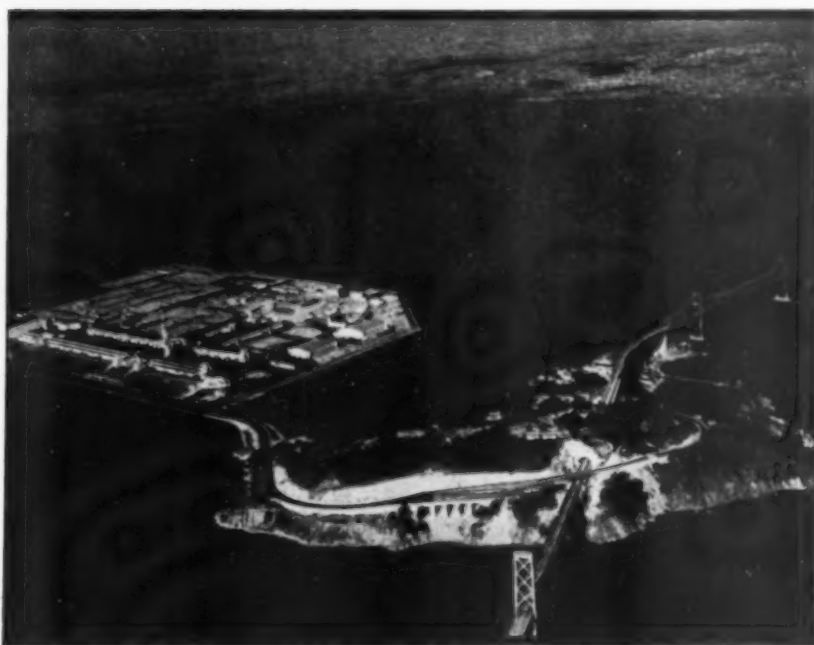
Astring-O-Sol. Short volume. Active ingredients not stated on label. Time at which antiseptic not stated. Does not meet National Formulary requirement at dilution claimed as antiseptic.

Of the 54 samples, 23 (42%) were short volume, six failed to state their volume on the label, and one was in a deceptive container. Two failed to state their alcoholic content, and 11 had an alcoholic content varying more than 1% from that claimed on the label. Thirty-two failed to adequately state their active ingredients. Of the 41 which claimed to be antiseptics, 39 failed to state the time interval at which antiseptics would be attained, and 20 failed to give the dilution at which antiseptic properties were claimed. According to the National Formulary Standard, 21 of these 41 were antiseptic only when used undiluted, and 7 others were not antiseptic even when undiluted. One brand, Tonsiline, which did not claim to be an antiseptic, actually was one. Only three samples were not misbranded according to the North Dakota law.

Example of What to Expect

In its tests and reports, the Department effectively supplements the work of the professional testing bureaus. A constant gripe concerning Consumers Union, for example, has long been: "How can a little outfit like that, with maybe \$100,000 to spend, expect to test stuff with any kind of accuracy or comprehensiveness?" The expansion of its field by such programs as North Dakota's is furnishing one of the answers to that question.

North Dakota's program is an example of what food, drug, and cosmetic manufacturers might not unreasonably expect from some other states next January. And it is a shining example of why manufacturers are interested in getting state legislation that's uniform, and as lenient as the federal act.



Publicists for the 1939 Golden Gate International Exposition, who think of everything, now point out that visitors will motor to the fair over the costliest (per mile) vehicular

approach ever built by man—the San Francisco-Oakland Bay Bridge, plus an elaborate viaduct system taking visitors to and from Treasure Island without traffic crossings.

Chicago Eyes Fairs

As they take shape in New York and San Francisco, Chicago plans counter-lures to trade.

THE SURPRISING SUCCESS of Chicago's Century of Progress Exposition in the dull years of 1933 and '34 was due chiefly to two people—Gen. Charles G. Dawes of the upside down pipe, the excellent money-raiser who was chairman of the finance committee, and Sally Rand. The passage of time has brought a diminishing of Gen. Dawes' public activity and a shift in some of Miss Rand's fundamental interests—a shift which last week found the one-time fan dancer seeking to escape a jail sentence for having assaulted a too-enthusiastic candid camera enthusiast in Hollywood.

But Chicago has not forgotten either Sally or the General. Of late, the Windy City has been forcibly reminded of their exploits—and its own. Two happy facts—the New York and San Francisco fairs of next year—account for the reawakening. Chicago is delighted to know that its friends in the East and the West are to have fairs. It wishes them well. And it will cooperate by taking away from those fairs, and from the New York and San Francisco businessmen who stand to profit by them, every dollar that it can.

Among Chicago's business "400" there are some men who regret that Mayor Kelly's plan to set up along the lake front a permanent fair patterned after the

Prague and Leipzig fairs—or, as Col. Frank Knox's *Daily News* characterized it editorially, "a lake front circus"—fell through (*BW—Aug 21 '37, p. 20*). Most of the business elect are too practical to spend time in regrets. Instead, they are talking of what a grand warming up Chicago's (Mayor Kelly's) New Century Committee is going through preparatory to pitching some fast balls to both New York and San Francisco next year.

A Happy Stroke for Chicago

The committee has already thrown one fast ball. Strike one was chalked up when the committee got the railroads to agree (a) to fill the railroad stations of the country with posters telling what a grand town Chicago is, and (b) to grant visitors passing through the Windy City on their way to New York and San Francisco stopovers of as much as a week. Chicago will have no Committee To Take Visitors Off the Train and Keep Them in Town by Force. But, within limits which Al Capone in his prime would have regarded as unbecoming, Chicago will seek to induce visitors passing through on their way east or west to stay over for a day, a few days, or a week.

The town has better control of its fast ball than of its curves: i.e., the entertainment it will offer visitors after it gets them off the trains. But it tossed some fancy teasers this last summer. These included an art show at Navy Pier, the annual Chicagoland Music Festival presented by the Chicago Tribune

Charities, Inc., at Soldier Field last week, the Chicago *Daily Illustrated Times* Swing and Dance Jamboree at Soldier Field (which brought amateur dance bands from as far away as Maine), and a beauty contest at Navy Pier, when judges chose two lissome and camera-conscious girls to represent the city at the New York and Frisco Fairs.

Neither Col. Knox, publisher of the *Daily News*, nor Col. Robert R. McCormick, publisher of the *Tribune*, is a member of the New Century Committee. And although the *Tribune's* news reports of City Hall affairs are far more nearly in accord with generally accepted newspaper standards than those of the *Daily News*, which continues to give Mayor Kelly the Chicago equivalent of the Bronx cheer, both papers are giving adequate space to straight committee-sponsored activities.

The committee consists of 2,000 men

and women prominent in business, the professions, or society. Kelly is chairman, E. E. Brown, president of the First National Bank, is treasurer.

MARKETING ANGLES

Cutting a Lot of Ice

THE TWO THOUSAND ICEMEN who bulged Washington's Hotel Mayflower last week at the annual convention of the National Association of Ice Industries were a pretty happy crowd. An up-to-date survey shows that 1938 sales of ice are off less than 8% (which icemen can't help comparing to estimates of a 30% to 35% drop in sales of mechanical refrigerators). This year's sales success guarantees continuation of the industry's cooperative

advertising campaign; and the recent begun canvass for funds to carry the drive through 1941 is expected to net pledges totaling \$750,000 a year.

Philharmonic Plan Crumbles

THE RETAILERS' PLAN to sponsor broadcasts of the New York Philharmonic Orchestra over the Columbia Broadcasting System has finally fallen through altogether. After the Sunday afternoon broadcast idea folded up a few weeks ago (*BW*—Oct 29 '38, p. 34), CBS went to work to sell the retailers on a Thursday night broadcast. It managed to collect enough stores *in toto* to swing such a broadcast, but couldn't get enough stores in each city to make it work.

Kroger's Clarion Call

THE KROGER GROCERY & BAKING Co. mailed out a letter to its 26,891 stockholders last week to let them know that if the Patman chain tax should by any chance go through it would wipe out their investments and toss 22,000 Kroger employees out of work. A test made by Kroger prompted the letter, when it was discovered that only 9% of the stockholders knew about the Patman bill, 22% knew of it but didn't know it would affect their investments, and 69% had never heard of it at all.

League Defends Chains

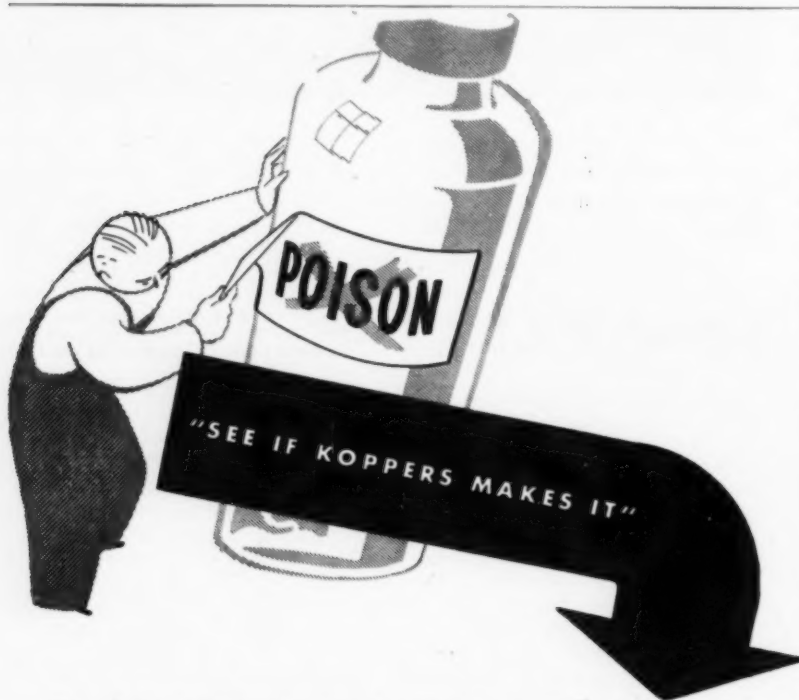
IN NEW YORK the anti-Patman drive was being carried on by an organization known as the League for Fair Trade, Inc., made up of manufacturers selling to the chains. The league last week started an advertising campaign in New England newspapers, on the theme, "Chain Stores Help You Stretch Your Dollar Further."

Chains Show Teamwork

AND IN NEW ENGLAND the chains were doing a public relations job by running a cooperative marketing promotion, "New England Days," from Nov. 2-12. Sears, Roebuck; First National; A & P; Liggett; W. T. Grant; Woolworth; Kresge; Kennedy & Co.; S. K. Ames, and Thomas McAn were all cooperating in the promotion of New England manufactured products and farm produce.

More News of Nylon

WHILE THE Federal Trade Commission was promulgating fair practice rules for the silk industry, and working on some for the linen industry, du Pont's new fiber, Nylon, was still making news. So that it won't have the same marketing headaches that hit rayon, Nylon is going to be promoted as a synthetic right from the start. Du Pont aims to patent a name for each weave construction produced with Nylon, and to license weavers or in some other way permit them to use the fabric names. Eventually, the trade thinks, the rayon rules might be amended to include Nylon—but that won't be necessary for some time.



One of the ingredients a manufacturer of a well-known disinfectant uses in his product is cresol. The cresol he had used for years had a definite phenol content. Under the Caustic Poisons Act, it was necessary for him to place the word "Poison" and give an antidote on his retail labels.

Koppers engineers were able to produce for him a cresol which has every desirable characteristic of the cresol he formerly used, yet is so low in phenol that it needed no declaration under the Poisons Act. This proved a distinct advantage in the marketing of the disinfectant.

KOPPERS COMPANY : PITTSBURGH

BOILER AND POWER PLANTS • CASTINGS • COAL AND COKE • COAL CLEANING PLANTS
• COKE AND GAS PLANTS • CREOSOTE • DEHYDRATION PLANTS • D-H-S BRONZE • FAST'S
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SEWAGE DISPOSAL EQUIPMENT • SHIPS AND BARGES • ROOFING • TARMAC ROAD TARS
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K O P P E R S
THE INDUSTRY THAT SERVES ALL INDUSTRY

AGRICULTURE

Better Farm Outlook

Higher prices should boost 1939 income, but wheat presents a crop control enigma.

FARMERS ARE EXPECTING to sell more of their produce in 1939 than in 1938; they expect to get better prices; and the general belief is that cost of production will not be materially higher. All in all, the outlook is for larger gross and net income in contrast to the somewhat disappointing showing in the year now drawing to a close.

The Bureau of Agricultural Economics, which calculates such things for the Department of Agriculture, estimates that cash farm income this year will come to approximately \$7,500,000,000 against \$8,600,000,000 in 1937. The year 1938 is the first to break the steady string of increases beginning after the 1932 low of \$5,337,000,000, and the decline which has occurred in the last few months has seemed to many observers the most unsatisfactory phase of the business outlook.

Government Payments Help

Hence the farmers' prospects take on added significance in planning for the future. In the main, farm income comes back as other lines become more prosperous. But there is a lag until more people begin to realize that they can spend more money on the table. Then volume of farm sales and prices begin the gradual rise which the experts are expecting next year.

Curtailment of acreages in some crops—notably wheat—will cut production in some directions, but that's compensated these days by government payments. Such contributions for both 1938 and 1939 will put about three-quarters of a billion dollars directly into farmers' pockets, aside from indirect expenditures designed to bolster prices.

Probably the year's most interesting story will be about wheat. The government set as an acreage goal 55,000,000 acres in 1939 against about 80,000,000 planted in each of the last two years. According to the experts of the big grain houses, winter wheat plantings this fall have been reduced to about 46,000,000 from more than 57,000,000 in each of the two preceding years.

Granary Would Offset Drought

That's quite a reduction, but it is not regarded as being anywhere near enough to bring total plantings inside 55,000,000 acres. Considering prospective spring wheat acreage, it is believed that it would have been necessary to pull fall plantings pretty well under 40,000,000 acres. Thus it seems unlikely that the Department of

Agriculture will achieve its production goal—unless the weather helps.

So far, the weather seems cooperative. Much of the main winter wheat belt is suffering from lack of moisture. Should there be a serious drought, the ever-normal granary could prove its usefulness very early in its career—excess production of 1938 filling the breadbaskets in 1939. That's what Sec. Wallace is hoping for and talking about.

Plan Peach Rescue

California group tries to save the industry by building a strong co-op.

A NEW EFFORT has been initiated to stabilize the California canned peach industry, following the collapse of the price-pegging scheme operated by the California Canners Industry Board (BW—Aug 27 '38, p 28).

A group of the larger growers, with the blessing of chain store executives and bankers, took the first steps toward development of a strong grower cooperative, a single aggressive selling agency to replace most of the 60-odd sellers who now handle the cling peach pack.

Objective is to bring some stability into a situation made especially chaotic this year by absence of any grower-canner agreement on size of the season's pack, with losses all along the line from orchards to distributors. Price antics of California canned peaches long have exasperated food distributors and retailers, who have learned not to count on a stable sales level or rebates on floor stocks when prices drop.

Ascribe Troubles to Weak Firms

Promoters of the plan, which include such large-scale California growers as H. C. Merritt, Jr., D. C. Bull, V. R. Parrish and Ed Loesch, are convinced that the industry's troubles are caused largely by the fact that more canners have gone into the business than could get sufficient finances to carry their inventories through a complete 12-month selling year. The sound canneries have attempted to outpay the weak ones in the orchards. They have tried to discourage them by undercutting their price cutting. As fast as weak firms folded, the can companies and financial groups have launched new outfits, using the old defunct canneries. The number of fringe companies has increased under these tactics and their lower investment costs have made them worse price cutters than ever. All this has made a buyers' market year after year. At the same time, new

**"Dental
services
\$115.00"**

**How's your employee
to pay this bill?**



He's one of your factory hands, let's say. Making enough to support his family and pay his day-to-day bills. He's even been able to make a down payment on a home. Then comes a heavy emergency expense—\$115 for work on his wife's teeth. How's he going to pay that bill on his wage?

He'll probably need a loan—from you or from someone else. You may not wish to make it. He can hardly go to his friends—they have their own expenses. The bank will require collateral he doesn't own or co-signers he can't get.

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Household renders another important service to wage earners. Household's educational program in money management and better buymanship shows families how to save on daily necessities—how to get more from limited incomes. Hundreds of schools and colleges use Household's consumer publications as texts.

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In addition to these preventive measures, loss of funds is insured against by the new DISCOVERY BOND, broadest adaptation of dishonesty bonding. It links in a single contract, future protection with coverage back through the past to the day the bonded employee was hired.

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COMPANY
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HOME OFFICES: NEW YORK

These Companies write Fidelity Bonds covering more than 1,750,000 gainfully employed workers

competition from packs of pineapple, grapefruit and juices has been reducing the market.

Right now, the industry is up against the job of selling 6,000,000 cases by June 1. Up to Oct. 1, the sales amounted to about 6,500,000 cases out of a total season's supply of 14,000,000 (composed of 5,500,000 carryover and a 1938 pack of 8,500,000). If 6,000,000 more are sold

by June 1, the industry will start a new season with a modest carryover of 1,500,000 cases.

The growers' group on which most of the strong factors in the industry began work this week probably will center around the California Canning Packers Association, a non-profit, non-stock organization operative of 563 growers which has been functioning since 1936.

HOUSING

Plans Housing at \$5-\$10 Per Room

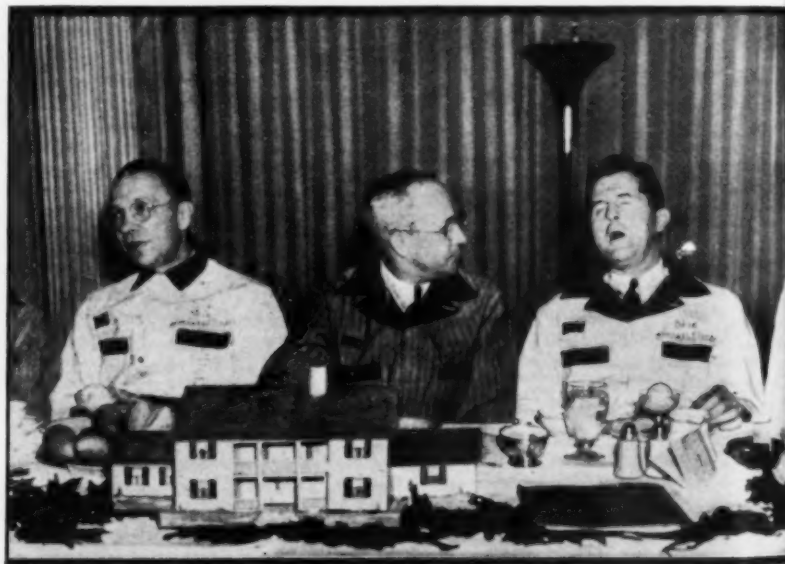
As government agencies focus on housing the "in-between" low-income group, Gerard B. Lambert proposes to cut rents by unusual tax-exemption plan.

WASHINGTON (Business Week Bureau)—Residential building has been the brightest spot in the recovery picture, but both government and business experts recognize that this field still has vast untouched possibilities. The greatest of these, measured in potential construction volume, lies in the untouched rental market for people who are too prosperous to

qualify for publicly-subsidized slum clearance developments, with a top of \$6 per room per month, and too poor to play with the professional builders, who have not yet succeeded in crashing through a minimum of \$10, even with the assistance of the Federal Housing Administration.

Within this bracket lies a tremendous housing market, provided someone figures

Business Dons Overalls to Boost Housing



Launching a drive to promote \$10,-000,000 of home building in Cleveland, members of the Cleveland Chamber of Commerce and representatives of the building industry banqueted last week in overalls. Left

to right: C. H. Henderson, head of the Cleveland Chamber of Commerce trade extension program; H. R. Templeton, chairman, Better Homes Committee; Raymond T. Cahill, deputy FHA administrator

out how to supply it. Many heads have been scratched over this problem and the answer is not yet apparent. That the search will be pressed diligently was indicated by President Roosevelt at a recent press conference.

Most tangible of the many suggestions made is that of Gerard B. Lambert, special consultant to FHA. Mr. Lambert is a director and former president of the Lambert Co., holding company of the Lambert Pharmacal Co. and other subsidiaries. FHA Administrator Stewart McDonald has indicated a considerable degree of interest in Mr. Lambert's plan.

Cuts Whatever Charges It Can

This plan assumes standard construction, without tricks or short cuts. But it proposes to eliminate from rental payments all possible charges. Insurance and maintenance, of course, are inescapable. But Mr. Lambert believes that, granted a reasonable return and a high degree of safety, investment funds could be found in large volume willing to forgo the possibility of speculative profit, and that this could be used as a trading point to procure some degree of exemption from local taxes. Elimination of these two items, when coupled with modern cost-cutting construction methods, should permit the erection of substantial, comfortable, attractive, but unpretentious dwellings that can be rented at between \$5 to \$10 per room per month.

Accommodations at such a rental would be in demand—vacancies should be rare. In addition, if necessary, such structures could be insured by FHA. Hence the safety. With an assured income, it is pointed out, the capitalist should be willing to accept a low interest rate—say 4%. At this rate a return of \$6 per \$100 of investment would amortize itself in 28 years (the figures are for illustrative purposes only, and could be varied). And nothing would be added for profit.

Now suppose that at the expiration of the amortization period the owner agreed to give—not sell—the building to the local housing authority or some other branch of the city. Why could not this transfer be used as compensation for a reduction, or even complete exemption, from local property taxes? Hence another rent reduction.

Concession Proposals Examined

If capital should be coy, other concessions might be granted. Mr. Lambert suggests financing through tax-exempt bonds, but the Administration frowns on this. Perhaps some form of reduction in surtaxes might prove acceptable. There are many other possibilities to be explored. President Roosevelt believes some method of accumulating capital might be worked out that would give the masses a safe investment for their savings. Mr. Lambert accepts the possibility but believes the pioneer experimentation should

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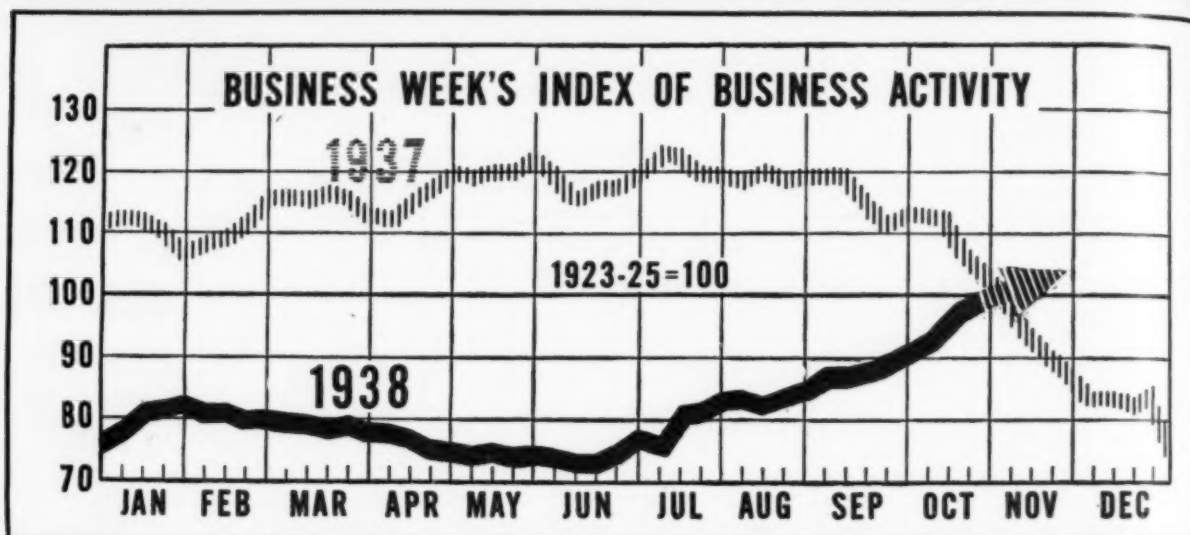
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1. Strong Recovery momentum established over the past 17 weeks —

2. Government Spending — Federal deficits which were 50 million dollars in September, 1938, are scheduled to rise to something over 600 million dollars in a single month.

3. Revival of Heavy Industries — in steel, automobile and construction. Total construction is expected to increase by at least a billion dollars.

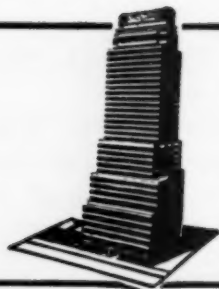
4. World Armament Race which is estimated to aggregate international expenditures of 25 billion dollars in 1939.

5. Lower Costs — In recent months many businesses have reduced expenses. With greater volume greater profits are in sight restoring incentives to expanding business.

6. The Resources to Finance Recovery. Bank deposits are high, interest rates low and FHA and RFC are ready to cooperate.

Whether this is sound permanent recovery, is another question. Here are gigantic forces bringing an upsurge in business at least for the first half of 1939.

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64% of companies operating on a *fixed percentage* basis budget advertising on "expected volume".



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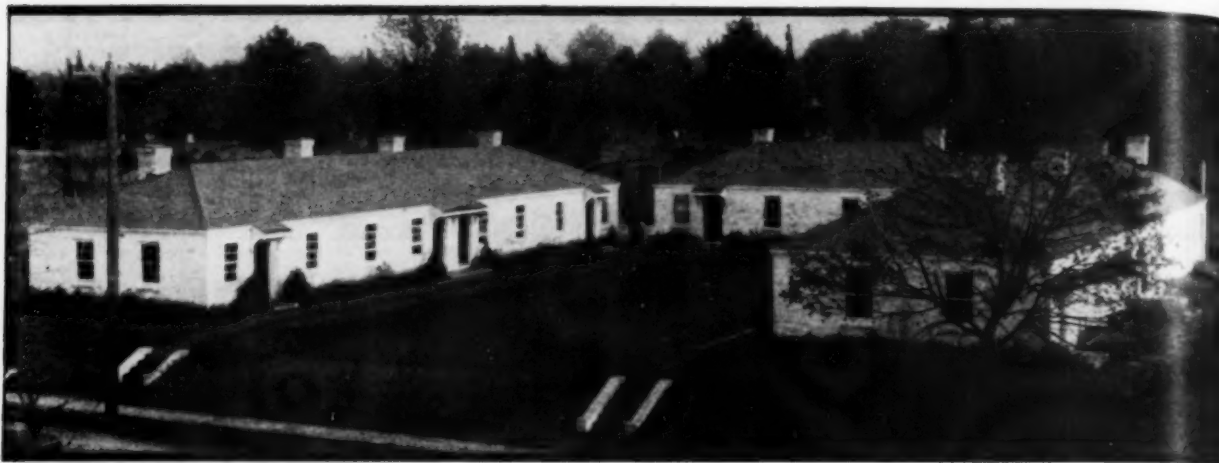
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3. Many long-pending orders for capital goods will soon be moving. Advertising will help to move them . . . your way.
4. Next year's orders are in the making *now* — you can beat your competitor who is still marking time, by intensifying your advertising effort first.
5. As business improves, costs will inevitably tend to rise. You can cut your future selling costs by advertising now.
6. New uses and new markets for old products are being opened up today.
7. Advertising now will most quickly reach and influence the new men in your customers' and prospects' organizations.
8. Advertising will bring your message to the influential "inside" men, who are getting harder to see, as production activity increases its pace.

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At Princeton, a housing development to which Mr. Lambert has applied his ideas nears completion.

be done by insurance companies or large capitalists, who can secure the economies of mass purchasing and expert supervision. But these are all details to be ironed out later.

That Mr. Lambert has the courage of his convictions is indicated by the fact that there is now approaching completion in his home town, Princeton, N. J., a sample development in which he has invested \$30,000 of his own money. Working in cooperation with the Princeton Housing Authority, he has succeeded in applying his principles to such good effect that four-room apartments will soon be available at a total rental of only \$25 per month, or \$6.25 per room. Of this amount only \$15 is needed to carry and amortize the investment. Were it not for local tax exemption, the family rental figure would be \$5 higher.

FHA Terms Liberalized

Meanwhile, official FHA activities have proved that, from the business standpoint, the real housing problem simmers down to the building of attractive and saleable habitations within the reach of the low (not lowest) income groups.

Last February Congress acted to liberalize terms for the purchase of low-cost residences. Prior to that date the minimum down payment under the FHA plan had been 20%, or \$1,000 on a \$5,000 house. In February this was cut in half, as respects all \$6,000-or-less homes, and reduced to a somewhat lesser extent in the \$6,000-\$10,000 range. Although the recession was deep and getting deeper, FHA's business immediately boomed. Mortgages selected for appraisal, the usual measure of FHA current volume, had been running in the neighborhood of \$50,000,000 per month; they jumped to \$95,161,202 in March, \$97,231,622 in June, \$104,226,887 in August, and dropped slightly to \$98,431,975 in September with the seasonal trend. The increase in the October total over the same month in 1937 amounted to about 115% (preliminary figures).

Other activities of FHA are also booming. Property improvement loans, not underwritten during 1937, total 277,139 in number for a total of \$128,544,954 as of Oct. 29. The financing of large-scale developments, both for rent and for sale, has also risen. Though the ponderousness of such undertakings has kept the acceleration from being as notable as in the field of one-family transactions, a total of 112 large-scale developments with a value of approximately \$71,500,000 is now under construction or completed, and quite a few more are in the works.

The subsidized slum-clearance program now being carried out by Nathan Straus' USHA in cooperation with local housing authorities all over the country has, in the brief year of its existence, executed loan contracts totaling \$265,054,000 and has, in addition, set aside \$311,050,000 in definite earmarkings pending the completion of actual construction plans. These funds go to 142 communities in 27 states that have actual slum clearance projects under way.

Rise in Construction

Building contracts awarded in October were the highest since March, 1931.

FOR 10 YEARS—ever since 1928—building has been a business laggard. Economists and statisticians, all during the 1933-1937 rise, spoke bravely of a housing shortage. But somehow construction failed to do the big things expected of it. Now, it's finally come through.

In February residential building contracts awarded turned up; then in March, all construction increased. That was before business in general had stabilized—after the sharp drop in the closing months of 1937. At first this rally in construction was looked upon with suspicion. Construction had prophesied wrongly too many times before.

And in the summer months there was

a tapering off. It looked as if this was "just another" rally that was due to peter out. But now building has started up again. October was the largest month for total construction contracts awarded (\$357,700,000) since March, 1931. Of that total, residential awards accounted for \$112,700,000, the largest total since May, 1930.

Easy money conditions and efforts by government agencies to make available reasonably priced housing to low-bracket wage and salary earners have been vital influences in the recovery in construction activity (page 32). Slum clearance projects by the United States Housing Authority and mortgage loans by the Federal Housing Administration have stimulated residential building. FHA mortgages selected for appraisal have been mounting to new highs week after week, and currently are not far from their highest monthly total of \$104,226,000 in August (see chart).

Low interest rates have made it attractive to states and local governments to borrow for heavy construction projects. Although new construction capital has not yet risen to the heights of last year, it is noteworthy that following the sharp decline in the spring, it has recovered briskly, and currently is running ahead of 1937 by a narrow margin.

Higher Incentive for Building

As a further inducement to builders, costs have come down moderately. Though wage rates have remained pretty much on a plateau, materials and supplies have declined. Rents, moreover, have held up fairly well, with the result that there exists today an increased margin of incentive to construct residential quarters. The spread of the real estate operator has widened.

But the next big push in building is likely to come from private industry. With earnings improving (page 17), the demand for new plants is likely to assert itself once again—repeating the performance of early 1937.

Millions of Dollars

Millions of Dollars

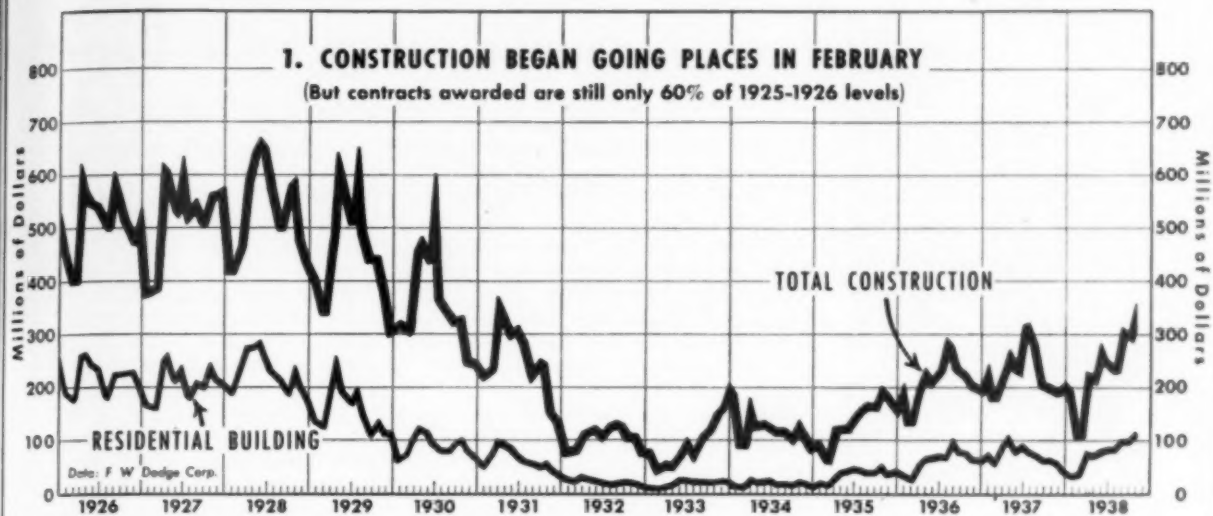
1923-25 = 100

BUILDING BOARDS THE RECOVERY BANDWAGON

(Lower costs, higher rents, and easy credit favor continuance of upswing)

1. CONSTRUCTION BEGAN GOING PLACES IN FEBRUARY

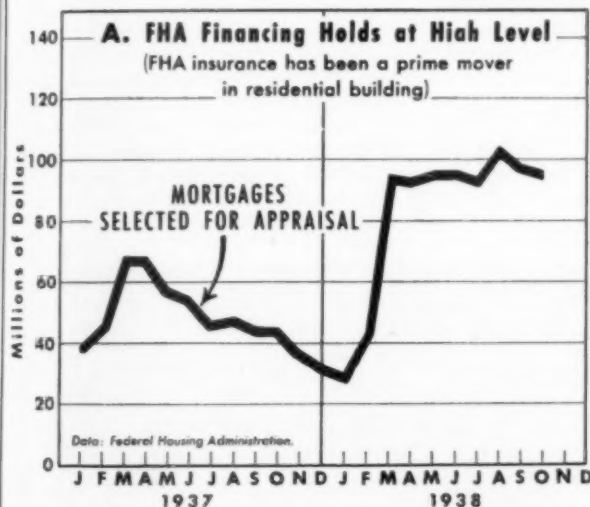
(But contracts awarded are still only 60% of 1925-1926 levels)



2. FINANCIAL FACTORS IN THE RISE

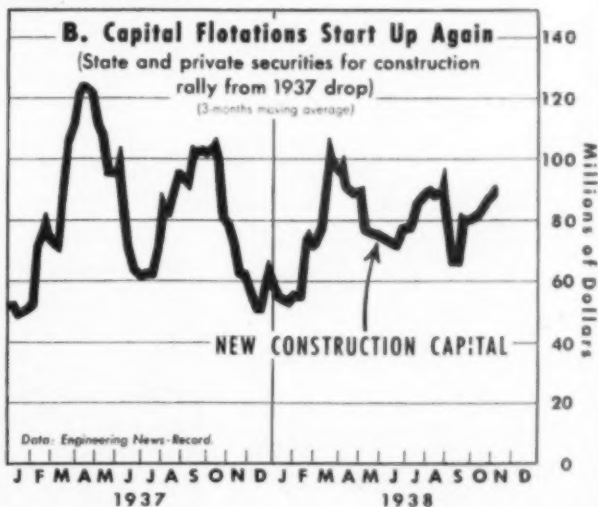
A. FHA Financing Holds at High Level

(FHA insurance has been a prime mover in residential building)



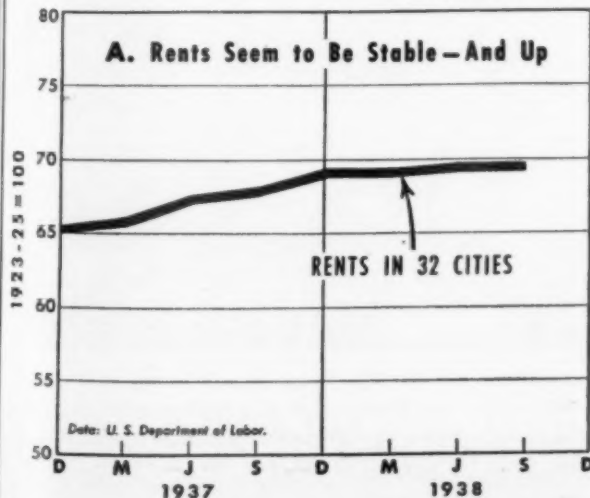
B. Capital Flotations Start Up Again

(State and private securities for construction rally from 1937 drop) (3-months moving average)

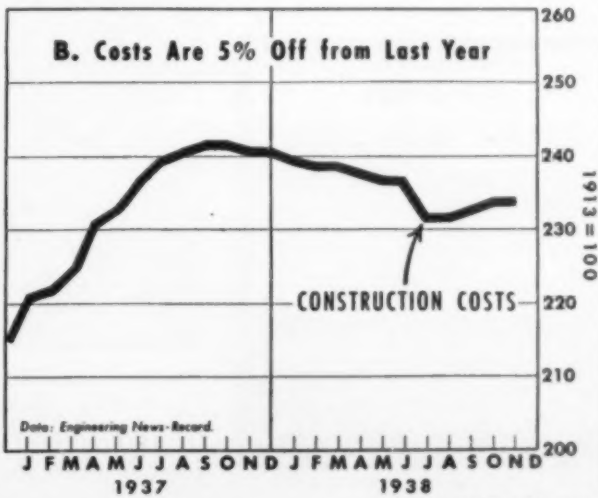


3. PROFIT FACTORS IN THE RISE

A. Rents Seem to Be Stable—And Up



B. Costs Are 5% Off from Last Year



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\$3,000,000 plant being built by Ecusta Corp. in North Carolina is expected to break French monopoly. Large sums spent on research.

IN A RESOLUTE ATTEMPT to break the French monopoly of cigarette paper making, the Ecusta Paper Corp. has begun building a \$3,000,000 cigarette paper mill right outside Brevard, N. C., and only a few rods south of beautiful Pisgah National Forest.

With 700 workers and technicians on the job, the company expects the principal mill buildings to be under roof by Dec. 1. Machinery and the beginning of test runs are scheduled for Feb. 15, and production is expected to begin April 1.

There have been earlier attempts to establish an American cigarette-paper industry (BW—Nov 18 '31, p7; Dec 25 '37, p15), but Ecusta's is the first to begin with large financial backing.

The actual building operations have been preceded by a search for unfailing quantities of pure water, five years of laboratory research and of a continual hunt for unfailing sources of essential raw materials, and countless months of

planning. Behind Ecusta stands the Champagne Paper Corp., of New York, which has long imported from France a lion's share of the 16,000,000 and more pounds of fine tissue used annually in the manufacture of American cigarettes.

Harry H. Straus, the dynamic president of Champagne Paper, is also the dominant shareholder in France's two highest production mills, Papeteries René Bollere and Société Nouvelle des Papeteries Champagne. Mr. Straus has been all too conscious of American dependence on French paper, the one foreign part of the "makings." He has also been aware of the French manufacturers' dependence on the year-to-year fluctuations of linen rag supply, and the volatile character of European political affairs.

Ample quantities of purest water (one of the secrets of all fine-paper making) were found in the Davidson River, which flows from its source in Pisgah National Park directly through the 250-acre site



Building schedules for the new \$3,000,000 cigarette paper mill of Ecusta Paper Corp. call for it to be under roof Dec. 1 and in operation April 1. Five hundred American workers and six or seven French technicians will produce some 6,000,000 lb. of fine cigarette paper annually.

of the Ecusta mill at an average rate of 40,000,000 gal. per day. Mill requirements should run about 10,000,000 gal. per day when production hits its stride of approximately 6,000,000 lb. per year, enough for approximately 60,000,000,000 cigarettes, about one-third of America's production. Cigarette paper, incidentally, is not sold by the pound, but by the "bobbin" of 1½-in. strip, all wound and ready to be snapped into cigarette machines. Each bobbin provides enough paper for about 50,000 cigarettes. It is not by chance the new mill will operate in North Carolina, which produces all Camels, and about one-half each of all Lucky Strikes and Chesterfields. Philip Morris are produced in nearby Virginia, Old Golds in New Jersey.

The new Straus-headed Ecusta outfit is amply financed, mainly by American capital, with a sprinkling of French. (It plans no public capital offering.)

Develops Native Flax Strains

Long ago Mr. Straus decided to shake off the necessity for bidding in the world market for linen rags. Rags are used only for their linen fibers. Why not go directly to native flax? But native American flax, until the present operation, has been raised mainly for its seed, from which is pressed linseed oil. Ecusta has had to spend \$500,000 over the past five years to develop new strains of flax which would produce optimum quantities of both seed and fiber, to interest farmers in flax culture in California, Oregon, Minnesota, and other states where acres are broad and climate is right, and to develop mechanical and chemical means of separating linen fiber from its surrounding woody structure; this intricate process is known as decortication. Seeds will be sold to linseed mills by farmers direct; fibers will be shipped to the paper mills in bales like hay; markets and applications for "shives," trade name for the woody byproduct, are being studied by Ecusta researchers and outside laboratories.

At the new mill, two of four modern Block-Clawson paper machines are already finished, waiting for erection. The engineers are J. E. Sirrene & Co., and the contractors Fisk Carter & Co. Barring entirely unforeseen developments, they expect to meet all dates on the nose.

Sugar Beet Machines

Growers watch results of experiments that may bring labor costs down.

WITH THE SUGAR BEET harvest—the big money crop of California, Colorado, Utah, and other Western states—entering the home stretch this week, and refineries working day and night, the industry is now checking the progress made this season toward its primary objective—complete mechanization.

Growers are eagerly scanning reports of the agricultural engineers in California and Colorado anticipating the time when they will be free from the high cost of stoop labor.

Total national harvest this year will run to 10,000,000 tons from about 1,000,000 acres. California nosed out Colorado in 1936 as No. 1 producer among the 18 states growing the "silver wedge."

Sugar beet farmers have had to pay higher wages than other branches of agriculture because of their short-season labor demands (two peaks of employment yearly with long unemployment periods between). The industry is fighting to keep wages below the point where sugar prices rise higher than consumers will pay. Mechanization is the answer.

The \$100,000 appropriated by the United States Beet Sugar Association for mechanization experiments in Davis, Calif., and Fort Collins, Colo., is beginning to bring results. The money is provided jointly by the two states, the Bureau of Agricultural Engineering of the United States Department of Agriculture, and a dozen of the largest beet sugar manufacturers.

Machines for planting seed, thinning, and harvesting are nearing perfection and should be ready to function in the fields in sufficient quantities by 1940.

Seed-Planters Tested

Two types of seed-planting devices are undergoing final tests, one in Davis and the other at Fort Collins. Sugar beets can't be transplanted without injury. The seed drills used in sowing other crops drop too many seeds too close together. Plants become so crowded in the rows that no machine can thin them and hand labor is necessary. The need was to develop a device that would drop seeds one at a time and eliminate labor in thinning.

The Davis machine, designed by S. W. McBirney of the Department of Agriculture, is an adjustable four- or six-row chain-drop unit which will space seeds two inches apart in a row. The Fort Collins device, designed by E. M. Mervine (also of the Department of Agriculture), has a cell-drop unit.

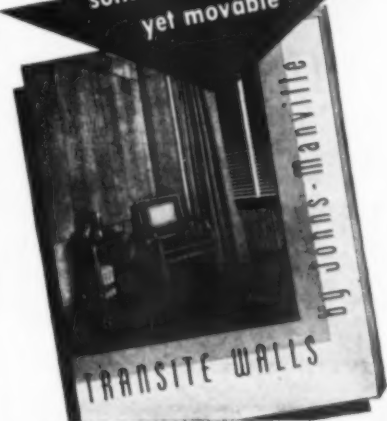
There are several types of harvesting machines in development operating on one of two principles: (1) topping the beets before they are plowed out of the ground; (2) topping them after they have been pulled. The difficulty has been to overcome variations in the size of beets (the machine cuts all beets at the same level). One harvester, hauled by a tractor, combines digging and topping. The beet is loosened by forward plows, raised by an elevator to a topping device, and carried to a hopper on the side of the machine.

In the light of this season's progress, beet sugar manufacturers expect handling of the 1940 crop to be approximately in accord with their mechanization objectives.

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NEW PRODUCTS

First-Aid Dressings

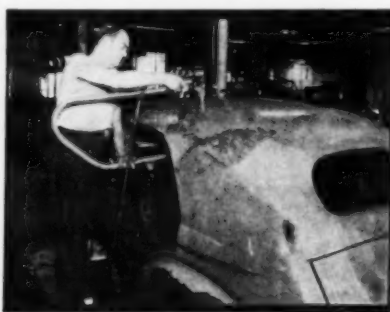
THE AMERICAN MEDICAL ASSOCIATION has given its "acceptance" to the Nu-Hesive Surgical Dressings developed by Diadem, Inc., Leominster, Mass., for industrial first-aid work. Though the sterile gauze in these dressings will not stick to wound or hair or skin, the layers of the gauze will stick to each other, making the use of adhesive plaster unnecessary. Available in the form of finger bandages, tape bandage, bias bandage, athletic tape, and a variety of forms.

Scientific Toothbrush

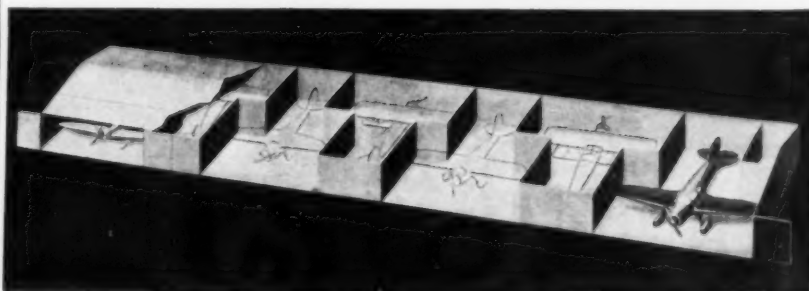
A SIMPLE BUT SCIENTIFIC twist in the business end of the Fell Off-Set Toothbrush, patented by Joseph G. Fell, 329 Park Ave., East Orange, N. J., permits the brush to reach all surfaces of the teeth with more than usual ease.

7,500 Blows per Minute

OPERATED BY COMPRESSED AIR, the new I-R Body- and Fender-Straightening Tool, just developed for automotive repair shops by Ingersoll-Rand Co., Phillipsburg, N. J., delivers 7,500 blows per



minute. Its purpose in life is to smooth out dents, wrinkles, humps, and ridges after a damaged sheet metal part has been reformed manually or mechanically to approximately original shape.



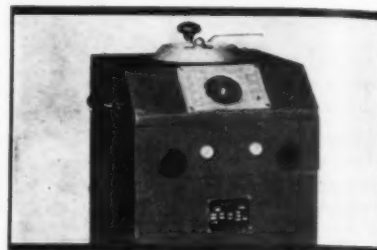
Patents are pending on the Edwards Multiple Hangar, newest development of Edwards Iron Works, Inc., South Bend, Ind. Each unit houses a single private plane. Hangars can be built singly or in blocks of two or

Slipsheeteer and Feeder

TWO NEW ATTACHMENTS for duplicating machines are coming from Rieger's, Inc., Commonwealth Annex, Pittsburgh: the Harm Interleaving Slipsheeteer and the Harm Nu-Angle Continuous Paper Feeder. The former will deliver 1,000 slipsheets continuously; the latter permits the addition of new paper to the top of the stack while the feeder and duplicating machine are in operation.

West Coast Welder

SOLE MANUAL CONTROL on the new G-R A.C. Welders is a handwheel which also actuates a direct-reading amperage indi-



cator. Glenn-Roberts Co., Inc., 1009 Fruitvale Ave., Oakland, Calif., features close-coupled transformer design with die-stamped continuous core plates calculated to reduce inductive losses to a minimum.

Flexrock's Primer

FOR SEVERAL YEARS holes and broken spots in concrete have been repaired successfully with Flexrock Ruggedwear, the patching material with cellulose content. But in some locations, where heavy machinery causes excessive movement in a floor, Flexrock Co., 800 N. Delaware Ave., Philadelphia, recommends an application of its new Ruggedwear Primer before application of Ruggedwear itself. A tenacious adhesive, the primer may be

more as desired. Only tools said to be required for erection are wrenches and screw drivers. Since the hangars are portable, they can be moved to new locations when airport rearrangement becomes desirable.

utilized also for cementing rubber tile, linoleum, stair treads, and what-have-you.

Semi-Rimless Spectacles

AMERICAN OPTICAL CO., Southbridge, Mass., is getting ready to announce the Numont Ful-Vue Lansing spectacles. A fairly rigid bar behind the lenses follows



their top contours without touching them. The bar is attached to the bridge. Bows are attached to the bar, not to the lenses, thus minimizing possible and expensive lens breakage.

Safety Heater

HEATING in the electric Safety Heater, manufactured by North America Electric Appliance Co., 42 Pearl St., Buffalo, N. Y., is by convection. Paper placed directly on its non-glowing heating element will not burn. If the heater should be tipped over, an automatic switch will turn off the current. The company has also developed a thermostatically controlled electrical Safety Heating Pad which may be used safely with wet dressings if desired.

Storage Relief

WHEN STORAGE, stock, or shipping room requires more capacity, a Mezzanine Storage Floor, developed by Superior Wire & Iron Products, 1051 E. 76th St., Chicago, will often solve the problem



economically. Steel mesh floor will support 70 lb. per sq. ft. and will not interfere with sprinkler system operation, air circulation, and lighting.

How many "mental sit-downers" have you in your organization?

"In every factory and store, among office workers and salesmen, costly 'sit-downs' have been going on for a hundred years—*mental sit-downs*", Says Craig Davidson. "Commands to do thus and so have met with mental sit-downs which have been just as effective in blocking production and sales as any physical sit-down that ever stopped an assembly line."

"That is one reason why this book," he goes on, "should be useful to any man whose job is to get other men to do their work right. It should visualize for him *what causes mental sit-downs* and *what to do about them*."

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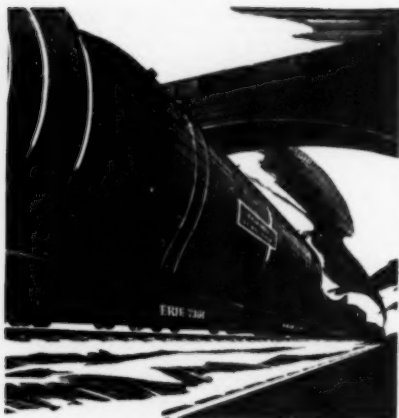
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PRODUCTION ANGLES

Dunk 'Em in Gunk

FOR SEVERAL YEARS, certain automotive manufacturers and service agencies have been using Gunk, an emulsifying degreasing solvent developed by Curran Corp., Malden, Mass., to dissolve grease and dirt from parts and assemblies. Now it is being found that complicated mechanisms like typewriters, teletypes, and adding machines can be cleaned in less than jig-time by dunking 'em in Gunk. Metal parts look like new; keyboards look as if they had just come from the factory.

Airplane Tools

UNDER THE TITLE of "Airplane Tools," Chicago Pneumatic Tool Co., 6 East 44th Street, New York, has gathered all its electric and pneumatic tools used in aircraft production—hammers for riveting and chipping, squeeze riveters, yoke riveters, rotary drills and rotary drivers and rotary grinders and rotary nut runners, and planishing irons—and put them together in one compact booklet. There

are plenty of shop kinks and ideas that might be appropriated in other fields of production.

Weaver-Knitter

ALONG ABOUT THE END of the year a loom attachment will come from Fidelity Machine Co., Philadelphia, which promises to convert almost any modern high-speed loom into a combination knitter and weaver without reducing its production speed. Object of the invention is to put a knitted face on a woven fabric in one operation. Textile men foresee wide markets for its product in suitings, overcoatings, upholstery, fabrics, rugs, blankets, and even non-stretch underwear.

Sheet Metal Estimator

FREQUENTLY IN PREPARING for the production of sheet metal parts, it becomes necessary to estimate the weight of sheets in various thicknesses and dimensions. Dayton Rogers Manufacturing Co., Minneapolis, has developed a slide rule which will give correct weight in pounds instantly for aluminum, bronze, copper, iron, lead, and steel, in thickness from 0.002 to 25 in., widths from 1/4 to 96 in., and lengths from 1 in. to 1,000 ft.

TRANSPORTATION

Private Truckers Ogle ICC

Many of them would rather have working hours regulated by commission than by Andrews. Form national organization to consider problems.

WASHINGTON (Business Week Bureau)—Private truck owners are between the frying pan and the fire—the 44-hour maximum week on drivers under the wage-hour law and the maximum that the Interstate Commerce Commission will eventually apply under the Motor Carrier Act. To get beyond the reach of the new law, many private carriers now are asking the ICC to take them under its wing.

Subject to further consideration and revision, the ICC has prescribed for common and contract carriers a 60-hour week; also a 10-hour day unless a driver is off-duty for eight hours during or immediately following an aggregate of 10 hours of driving within a 24-hour period. In the Motor Carrier Act of 1935, Congress instructed the ICC to prescribe maximum hours of service of employees of private carriers if investigation discloses that such regulation is needed to promote safety of operation.

Under the wage-hour law, private truck drivers must be paid the minimum wage of 25¢ an hour if the goods carried in the trucks ultimately leave the state of manufacture. The law provides, however, that the maximum-hour provisions shall not apply to employees for whom the ICC has power to establish qualifications and maximum hours of service, under the Motor Carrier Act. Until the commission has determined the extent of its jurisdiction, Administrator Andrews will not rule on application of the 44-hour-week under his law. It's a nice little game of 'twixt and 't'other, but there's not much sport in it for private truck owners.

The ICC has called a series of hearings—beginning Jan. 9 in Washington and rambling 'round the country for a month after that—at which private carriers in interstate commerce are invited to testify on the need for federal regulation. The commission suggests that the

private carriers consider adoption of the regulations prescribed for common and contract carriers.

Further to define the boundary between the wage-hour law and the Motor Carrier Act, the ICC has called for briefs and argument Dec. 16 on the extent of its jurisdiction over non-driver employees of all truckers.

Range of Commission's Work

Included within the scope of its present inquiry concerning private carriers are qualifications for drivers, rules of the road, and standards of equipment (parts and accessories necessary for safe operation). Eventually the ICC will get around to investigating and reporting to Congress on the need for federal regulation of sizes and weights of trucks, whether operated for hire or privately.

Meanwhile, private owners of trucks have formed an organization to do battle for them in the field of governmental regulation and aid them in meeting the changes of the times. It is the National Council of Private Motor Truck Owners.

Of the nation's 4,250,000 trucks, 85% are owned by business concerns or farmers, and only 15% by "for hire" truckers who sell transportation either as independents or as contract carriers.

Arthur C. Butler, of the Automobile Manufacturers' Association, became organizing secretary of the private truckers' campaign. Membership of the organization committee illustrates the diversity of interests in the new association. It consists of Fred Brenckman of the Na-

tional Grange; P. H. Ducker, Automotive Council of California; O. M. Kile, Mail Order Association of America; F. E. Mollin, American National Live Stock Association; R. J. O'Hare, International Association of Milk Dealers; John B. Pymer, American Bakers Association; J. F. Winchester, American Petroleum Institute; R. C. Hobben, International Association of Ice Cream Manufacturers.

First meeting of the board of directors was held late last month. Offices will be opened in Washington.

Ask Air Rate Boosts

Transport operators petition Civil Aeronautics Authority for increases.

WASHINGTON (Business Week Bureau)—Four air transport operators have petitioned the Civil Aeronautics Authority for increased rates under the new law, which abolishes the old Post Office contract system. Probably all the lines will petition for adjustment, soon or late. Mail-rate fixing is one of CAA's toughest jobs just now, but this consists mostly of adjudication, with little field work. Fairly complete and uniform financial records of all companies are available. Quite a number of determinations will be made this year.

The \$12,000,000 United Air Lines group, claiming a loss of \$1,308,077 in the last fiscal year, asks that rates on all its routes be changed from a load-

mile to a pound-mile basis. The petition calls for \$.001 to \$.0025 per pound mile on the various routes, which the company believes will raise its revenue to "fair and reasonable." Midcontinent, in the Missouri River Valley, asks to remain on a load-mile basis, with an increase, as also do Braniff and Chicago-Dallas-Brownsville. Pan American Airways, Pacific division, says that it is losing \$95,000 per month and that it has suffered serious sub-schedule operation following the loss of two clippers. PAA wants its load-mile basis continued, with its 84-per-mile revenue raised to \$7 per mile on outbound mail; and on inbound U. S. mail it wants \$8 per pound Guam to Honolulu, \$16 Guam to San Francisco, 88 Hawaii to San Francisco.

CAA has authority to create an entirely new basis of payment by the Post Office Department for mail transport on a poundage, mileage, or space basis, or any combination of the three. Present indications are that it will have to set up at least two bases. The big-volume people want a change to pay for weight, while the light lines want to stay on their mileage pay. Probably cubic-space deals will not be considered until such time as mail may be worked aloft, as it is now *en route* on trains.

Air express, so loudly proclaimed 10 years ago, has made little progress as compared with the service in Europe. Passenger rates were not under federal control until the air law of last spring took over. No move has yet been made to adjust them. Passenger and express revenues, present and in prospect, will bear upon mail rate adjustments.

Whatever it costs to maintain the trunk air system will be forthcoming on paper from CAA. The cold money, of course, must come from Congress, in an appropriation; but the CAA is not going to put any cream on the industry for another Wall Street skimming spree.

Rail-Bus Hurts Bus Line

WHEN THE SANTA FE established combined train-bus service between San Francisco and Los Angeles last July in competition with the Southern Pacific trains and Pacific Greyhound Lines' buses, with fares at 1.3¢ a mile, transportation executives wondered what shifts in traffic would result (*BW—Jul 23'38, p.27*). Last week they got a partial answer. The bus company, in applying to the California Railroad Commission for reduction in bus fare to 1.3¢ a mile, reported "substantial decreases" in bus traffic; testified that the public shows preference for the trains where the bus and rail rates are the same; argued that a differential in rates in favor of buses is necessary. Santa Fe countered with the claim that uniform rail-bus rates are essential to its co-ordinated service. As a protective measure, it asked for a cut in rates to 1.3¢ if the bus plea is granted.

License Tag Warns of New Drivers



Cleveland auto drivers are now forewarned and forearmed when they meet a novice driver in the streets. The Cleveland Auto Club supplies the tags.

MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

New Highs Follow the Elections

Stock exchange volume reaches enormous figure, as traders' confidence booms. Non-ferrous metal news reveals basic industrial strength.

CELEBRATION of the election results occupied the markets this week, and a joyous occasion it was as securities bounded to new highs for the year. The financial community figures the results of Tuesday's balloting mean that business henceforth will suffer fewer restraints and annoyances. The expectation of better business as a consequence is encountered on every hand, and all this has found striking reflection in prices of securities and the basic raw materials of industry.

Stock Trading Soars

There evidently were many traders who anticipated that the election results would be pretty pleasant, because heavy buying on Monday carried stock prices into new high ground. Yet the general impression was that the New Dealers' losses considerably exceeded popular expectations, for stocks boomed on Wednesday. The day's transactions on the New York Stock Exchange totaled 3,100,000 shares—the largest since Oct. 21, 1937—and the Standard Statistics average of industrial stock prices shot up more than 3 points.

That rise was the more impressive for the fact that it was accomplished in the face of heavy profit-taking and some short selling. Sales in those categories, however, did not represent disappointment over the election returns. Among speculators there was the hunch that the rise would peter out after initial enthusiasm. They figured that they had better take profits, or even put out short lines, before general elation subsided.

Most followers of the markets, on the other hand, have taken the longer view. They doubt that there will be even an intermediate reaction at this time. They figure that business has been accumulating momentum, that the outlook for at least the first half of next year is excellent, and that prices of securities and commodities will go much higher before there is any major change in trend. Those who are so minded entirely outnumbered and outweighed the bears in the markets of these last few days.

The constructive point of view derives strength from the day-to-day news. Operations of the steel industry this week took an unexpectedly large—and some-

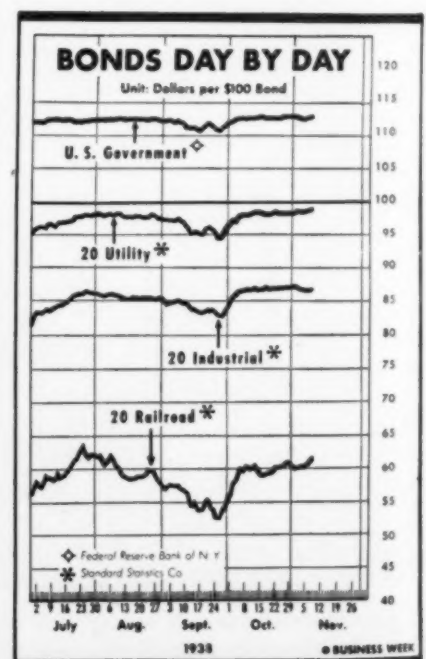
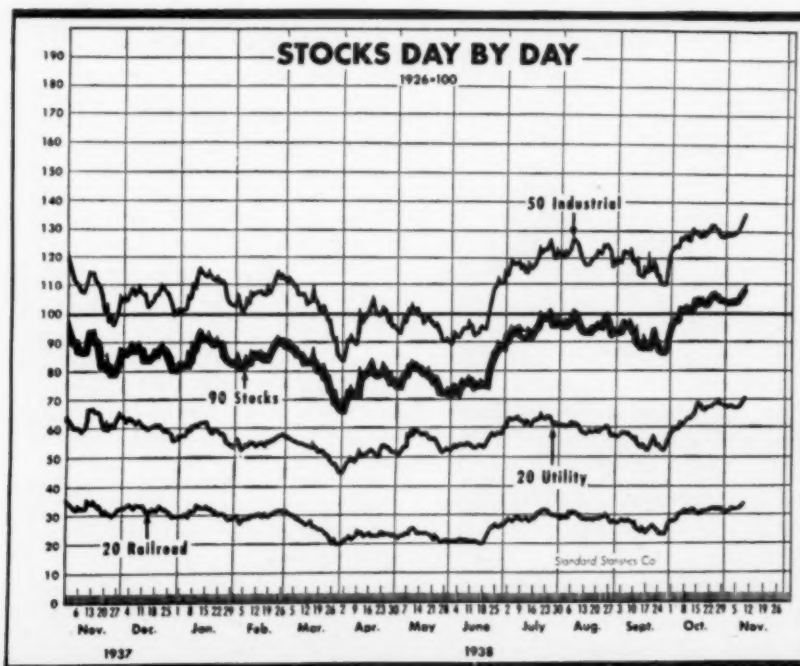
what unseasonal—bound to top 60% of capacity; prospects for the long-sluggish building industry are improving by leaps and bounds, with the outlook for residential construction the rosiest since early in 1930; news on consumption of non-ferrous metals continues excellent; General Motors this week sounded a note of much-appreciated optimism with a higher dividend payment; even prices of farm products, which react on rural purchasing power, have turned a bit better.

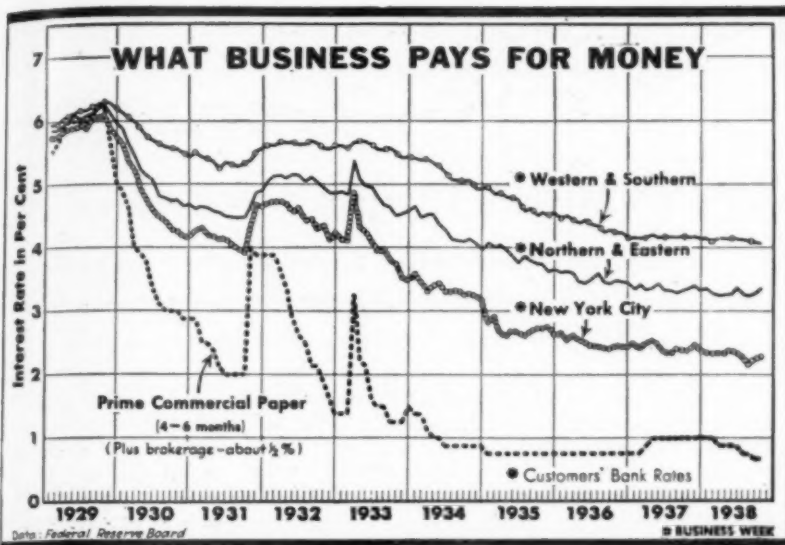
The Metals' Story

On the subject of non-ferrous metals, wherein is to be learned a great deal about the acceleration of industry, first results for October began to come to light this week. The first report, as usual, was that on zinc, and it fully measured up to expectations. For the second consecutive month, apparent consumption of the metal was above 43,000 tons. Production again fell short of consumption, and as a result supplies declined for the fourth consecutive month. Stocks of the metal now are down to 124,128 tons—less than three months' supply at the rate of consumption over the last eight or ten weeks.

The October copper statistics, due in a day or so, are expected to be little short of spectacular by contrast with anything seen in many months. Apparent consumption, best trade authorities agree, exceeded September's 53,000 tons by about 50%. Some will argue that consuming industries are piling up inventory, but most observers believe it comes down to this: inventories which looked ample three months ago look puny now, and restocking has been imperative for many consuming lines.

This analysis should apply equally well to other industrial raw materials.





It probably was instrumental in bringing about this week's rise in such items as rubber. Cotton derived some strength from the downward revision in the government crop estimate to 12,137,000 bales against 12,212,000 a month earlier.

Cotton Paradox

Nearer deliveries command a premium, despite the greatest abundance in history.

IT'S AXIOMATIC in the markets where commodities are bought and sold for future delivery that distant deliveries, in years of plentiful supply, will sell higher than shorter-term contracts; that nearer deliveries, in seasons of scanty supply, will command a premium. What it comes down to is this: there is less hurry to buy in bountiful years than in lean.

But there can be exceptions to this rule. There is, in fact, an exception in the current cotton market, and it has the whole cotton trade out of joint. Mills' purchases of cotton, mills' sales of cotton goods, and trading in the cotton futures market all have slackened substantially.

Here's the way the price situation has been recently. Spot cotton in New York has been quoted at 9¢ a lb., the December delivery on the future market at 8½¢, and the October, 1939, contract at 7.9¢. That means December cotton selling at a premium of \$3 a bale over October of next year—at a time of the greatest abundance of cotton in the history of the country!

Explaining the Anomaly

Why? There doesn't seem the shadow of a doubt that it is caused by the government's loan program for cotton. The government had a stock of about 6,800,000 bales of loan cotton impounded at the start of the current season last Aug. 1. It offered loans of about 8.3¢ a lb. on

this year's crop, and apparently has taken in close to 1,500,000 bales more. That brings the loan pool to approximately 8,300,000 bales which are being held off the market—out of a total supply of 25,000,000 bales.

But it goes further than that. The cotton planter is encouraged by the loan program to hold onto his cotton rather than to sell it. Then, if the price goes up, he sells; if the price goes down, he puts it into the loan pool.

As a result of pledging of more than 8,000,000 bales for loans, plus the withholding of other millions of bales to see which way the cat jumps, there actually is created an artificial shortage of spot cotton. Yet everybody in the marketplace knows the shortage is apparent rather than real—that the real supply is equal to over two years' consumption.

The men of the marketplace think

prices for nearby cotton are entirely unjustified in relation to longer-term contracts. But they are afraid to sell short because there's just a chance that they might have to pay a fancy price to get cotton for delivery against such bear sales.

Buyers of cotton cloth go to the mills, point to prices at which cotton can be bought on contracts maturing next summer, and refuse to pay quoted prices for gray goods. Mills are chewing up raw cotton inventory and wondering where they get off.

"Dark Horse" Banker

Frank P. Powers, of Mora, Minn., put forward for key post in A.B.A.

A THIRD HAT is in the ring in the fight for the coveted post of second vice-president of the American Bankers Association. Frank P. Powers, president of the Kannabac State Bank, Mora, Minn., has been put forward by friends. A strong unit banker, the Minnesotan's admirers are booming him as a "compromise candidate," asserting that he should be chosen to avert an open fight on the floor of the A.B.A.'s annual convention in Houston, Tex., next week.

The original battle was between P. D. Houston, chairman of the American National Bank of Nashville, Tenn., and W.

Chrysler Corporation

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of one dollar and twenty-five cents (\$1.25) per share on the outstanding common stock, payable December 12, 1938, to stockholders of record at the close of business, November 14, 1938.

B. E. Hutchinson, Chairman, Finance Committee

WHICH WILL YIELD MOST AT GIVEN LEVELS OF INCOME—

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Wholly Exempt Bonds?

The rising tide of taxes—the probability of further increases—makes necessary a more careful study of the relative net yields of various available types of securities at any given level of income.

Our new leaflet, *Taxable Yields and Their Equivalents in Wholly and Partially Exempt Income*, gives the answer to this important question—quickly and conveniently. It shows the net yield—after taxes—of 1% to 5½% taxable securities, at all levels of income; also the equivalents in income wholly or partially exempt from Federal Income Taxation. A copy will be sent upon request—without obligation. Write for Folder BJ-118.

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AND OTHER PRINCIPAL CITIES

HALSEY, STUART & CO. Inc.

Laird Dean, president of the Merchants National of Topeka, Kan. (BW—Oct 16'38,p39). Their rivalry threatened a pitched battle reminiscent of that in 1935 when Orval W. Adams, now president of the A.B.A., won the second vice-presidency—a plum which is important because it puts the recipient in direct line for head of the association after two years.

In the three-cornered race as it now stacks up, Mr. Powers has some out-of-Minnesota backing. Supporters of Mr. Dean, however, declare that their candidate is going strong and will not withdraw. Mr. Houston is still very much in the running, but his contingent is following a waiting campaign—hoping that Mr. Dean will overplay his early strength.

Philip A. Benson of Brooklyn, savings banker, will be elevated to the 1939 presidency; Robert M. Hanes of Winston-Salem, N. C., will move up from the second to the first vice-presidency.

FINANCIAL ANGLES

Chesapeake Wind-Up

ELIMINATION of the Chesapeake Corp., intermediate holding company in the Van Sweringen pyramid, is gathering speed. First formal step was marketing of the concern's 60,400 shares of Chesapeake & Ohio Railway series A preferred (BW—Oct 22'38,p39). Now Chesapeake Corp. proposes to auction its 60,000 shares of Erie Railroad common stock—an item that won't bring a mint of money—on Nov. 29. A special meeting of stockholders has been called for Nov. 28 to vote on measures necessary to dissolution.

Nothing for the Stock

ATTITUDE of the Interstate Commerce Commission's finance division toward bankrupt railroads persistently has been tough on stockholders. Latest recommendation of the finance division is on a reorganization plan for the Chicago, Milwaukee, St. Paul & Pacific, going through the wringer for the second time within 15 years. Nothing for the common, warrants for the preferred representing the right to purchase new common shares, recommends Examiner M. S. Jameson. He also urges a reduction in fixed interest to \$3,864,602 annually instead of the present \$23,606,095.

Tires for Airplanes

SALES OF TIRES to the aircraft industry aren't a large item in relation to total business of the tire manufacturers, but they certainly show a healthy trend. Sales of tires and tubes for planes this year, according to the Rubber Manufacturers Association, will approximate \$850,000 against \$706,000 last year and a puny \$278,000 as recently as 1934.

BUSINESS ABROAD

Trade Blocs Prepare for Business

Anglo-United States trade pact will be negotiated but Britain will extend its business with Germany. United States is likely to maneuver for deal in Far East.

THE ANGLO-AMERICAN TRADE AGREEMENT will be announced very soon. With the promised visit to this country of the King and Queen of England, it seals the close trade ties of these two nations. It does not mean that Britain is going to abandon its post-Munich plans of "playing ball" with Germany also. A few executives already believe that the United States is maneuvering now to find a way of doing business with China, booty of the other great totalitarian state. Behind recent warnings to Japan are quiet talks of the need for setting up in China proper a government apparently less subject to Tokyo than the Manchukuan régime, and certainly more tolerant of foreign business. Only with such a government is Washington likely to be tempted to do large-scale business on a credit basis. Japan's needs for assistance in exploiting the new empire may yet tempt Tokyo into a deal.

British Ponder New Policy

LONDON (Cable)—Suburban Kent gave the British government a surprise and a shock this week when it elected a Laborite, campaigning on the slogan: "I accuse the Chamberlain government of giving Fascism a clear course," to the House of Commons. The successful candidate (wife of an M.P., thus making the first married couple in the House) had a plurality of 4,238 votes over her Conservative opponent. The outcome is considered important in Britain because this Kent by-election was one of a series of seven in what has been called the "little general election." Five are yet to come. Results will determine whether a general election is called in Britain this winter, or not until a year from now.

On the other hand, business—represented by Chambers of Commerce and the Federation of British Industries—is frankly alarmed at declining exports, the steady flow of "hot" money to New York, and the prospect of higher taxes, and would probably accept eagerly some form of compulsory national service, or conscription of workers for the armament industries as well as the defense forces. This may be avoided for a time by inclusion of one or two Laborites in the cabinet in order to stave off Labor opposition to speeding up rearmament.

Appeasement is the keynote of Chamberlain's European policy, but spectacular changes in Britain's attitude toward her colonies are expected. London newspapers this week featured Lord Hailey's new book "African Survey," with its strong emphasis on the need for a new sense of responsibility on colonial development. Ernest Bevin, Labor leader, just returned from a world tour, bluntly held up Hawaii as a model of colonial development in the Pacific, in shameful contrast to British Fiji.

Business was slightly bullish this week. Unemployment declined in October, for the first time since the recession, and the recovery was notably in the cotton, coal, and steel industries. Every English executive watches cotton as one of the most sensitive barometers of business; it is usually first to slump into a depression, and first in a recovery. The stock market reflected the optimism, but volume is still small.

U. S. Farmers Eye Germany

BERLIN (Cable)—Germany needs desperately cotton, copper, lard, and other raw materials which might be secured in the United States, but, since Secretary Hull's biting references to Germany in his address at the National Foreign Trade convention, has given up hope of making a deal which would make it possible for Germany to secure soon large quantities of these items.

The dilemma came to light this week when it was revealed that both the German steel and cement industries were complaining of their inability of getting machinery for the expansion of their plants which is demanded by the Nazi authorities next year. German machine builders are too tied up with government arms orders to make prompt delivery, and in some cases even to accept the orders. Little business is likely to go to the United States, however, because the Reich will utilize all available dollar exchange to purchase essential raw materials rather than machine equipment.

Executives in the steel and coal companies who released their annual reports this week almost universally lamented the inroads into profits which were being made by Nazi demands to expand

production irrespective of costs. Increased use of low grade iron ores, for instance, has greatly boosted production costs, though selling prices remain fixed at former levels.

Another disappointment is the customs union which had been anticipated with Czechoslovakia. Evidently it has been abandoned by the Germans because of the fear that it will create an unfavorable impression in other countries in south-eastern Europe who might unite in an attempt to resist German economic penetration.

Argentina Curbs Imports

BUENOS AIRES—Another barrier to imports, particularly of luxury items many of which come from the United States, was raised by the Argentine this week.

After Dec. 1, no goods will be cleared through customs in Argentina unless the shipper has an exchange permit covering payment. This applies equally to shipments for which payment is to be made in "free" exchange as well as at the "official" rate.

At the same time, the Argentine Finance Ministry has lowered the official exchange rate from 16 to 17 pesos to the pound sterling, or to a fraction under four pesos to the dollar. Presumably the free rate will adjust itself accordingly.

The importance of this to the American exporter is (1) that he is likely to run into increased difficulty in securing exchange permits to cover his shipments (farm equipment is virtually the only item which has been freely admitted for

a year), and (2) that Argentine exports may be stimulated by the cheapening of the peso, thus helping to correct the country's large unfavorable trade balance.

Political Crisis in France

PARIS (Wireless)—Premier Daladier is threatened with a cabinet crisis this week, because of some of the financial reforms he is demanding in the drastic program to set France's financial house in order.

Under consideration at the time of the parliamentary rebellion were a new tax on the interest derived from government bonds, and a cut in war pensions. The decrees which would effectively nullify the 40-hour week law, at least in the armament industries (BW—Oct 29 '38, p 41), are also being pushed.

Look for the next important moves in the negotiations with Germany some time after Nov. 23, when Chamberlain and Halifax are to come to Paris for a full discussion of the Franco-British stand to be taken on all questions relating to Germany, including colonies and disarmament. Later, von Neurath, the German foreign affairs official, will go to London and the deal will take definite shape.

Facts About Soviet Russia

MOSCOW (Cable)—Russians know little about the thoughts or plans of the Kremlin, but attach considerable significance to a half dozen recent announcements by officials:

The Soviet Union has stored up enough

Toronto Chain Tax

TORONTO (Business Week Bureau)—Toronto, Canada's second largest city, may shortly emulate the metropolis, Montreal, in imposing onerous special taxes on chain stores. As part of a report on possible new sources of revenue, Toronto's Board of Control is considering a proposal to tax chain stores on the basis of \$25 a unit when there are 5 to 10 units in the chain, and up to \$300 a unit for companies operating over 200 stores in the city. The tax would be expected to yield about \$150,000 of revenue, but amendment to present provincial legislation would be required.

To date, the provincial legislature has resisted efforts to permit municipalities to levy discriminatory taxes against chain stores, but this year the pressure is developing greater strength, largely because of the example set in Montreal where a tax of \$1,000 a unit is assessed on each unit above 10 in a chain.

grain to meet any emergency (reputedly a 3-year supply on crisis rations);

This year's harvest—because of drought—was smaller than last year's all-time record, but greater than any harvested in Tsarist Russia, and larger than the 1935 or 1936 crops;

Industrial output for the first 10 months of 1938 was 19% greater than for the same period in 1937, and four times the output in 1929;

Light industry is falling seriously behind in output, thus creating an acute shortage of consumer goods in Moscow's great department stores;

Three hundred collective farms, which maintain collective savings accounts, have joined the small group of individual depositors who can claim "millionaire" rating in Soviet Russia. Individual millionaires are all writers, playwrights, or movie directors;

The Soviet Union's leading foreign markets and sources of supply are shifting, according to foreign trade figures for the first half of the year:

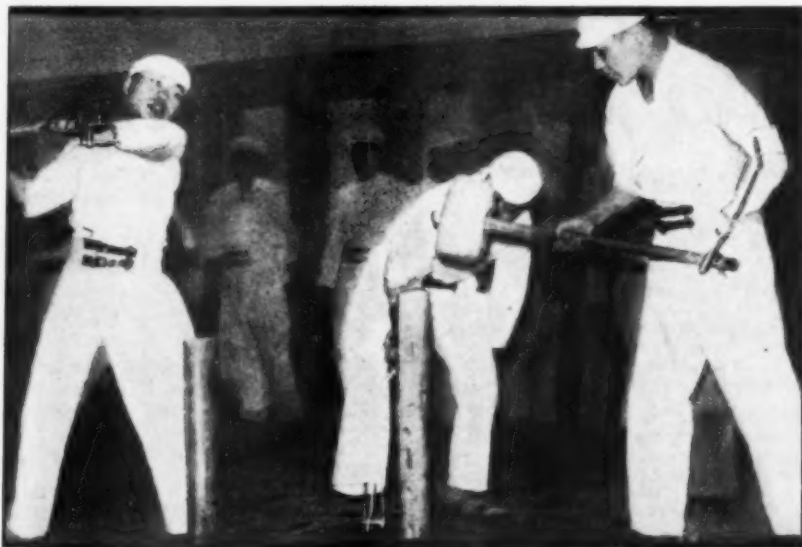
SOVIET EXPORTS (Thousands of rubles)

To:	1938	1937	1936
Great Britain ...	122,985	166,736	124,691
Iran	47,373	52,865	39,213
Belgium	43,767	35,402	44,916
Germany	40,221	54,663	45,804
United States ...	35,531	57,330	68,020

SOVIET IMPORTS

From:	1938	1937	1936
United States ...	201,405	107,842	131,863
Great Britain ...	117,246	111,520	88,390
Iran	56,163	48,138	45,995
Holland	49,768	45,967	34,903
Australia	47,381	21,182	9,076

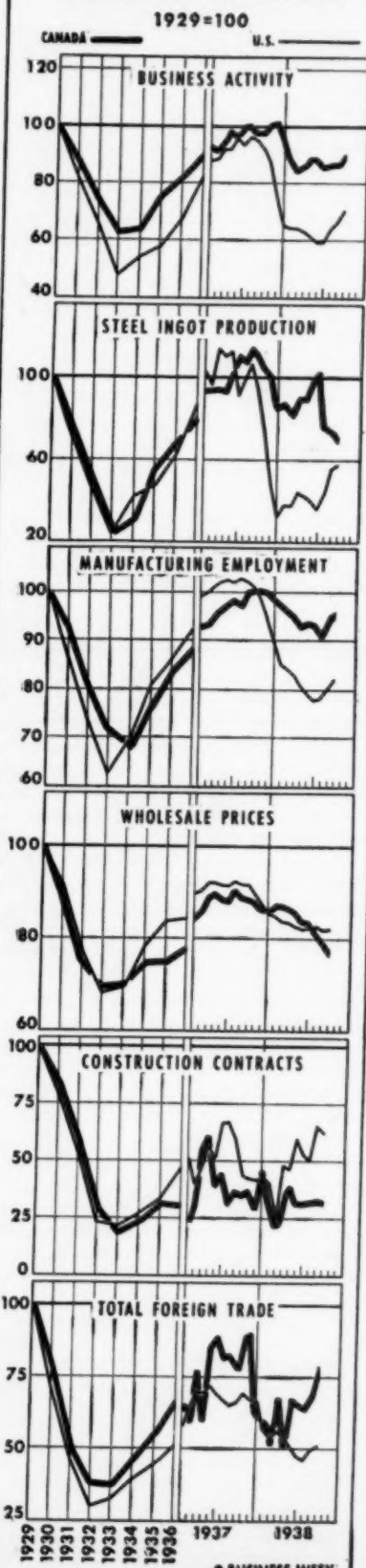
Japanese Industry Gets War's Casualties



Ameri-Canada

Empire-building Japan, with the cream of her manpower in the field, needs workers for home industries. Legless or armless casualties, back from China, are being given artificial limbs together with training in how to use them in heavy manual work.

TREND OF BUSINESS CANADA AND U. S.



Only Steel Lags in Canada

Steel activity has not turned the corner, and construction is slack; all other business is bullish. Ottawa is issuing permits for entry of Central European technicians.

OTTAWA—Canadian business strengthened moderately during the past week. Crop marketing and mining are chief sources of betterment. These activities sent carloadings above the 1937 level for the first time this year. The stock markets also were more active than at the same time last year. Some branches of wholesale and retail trade experienced improvement and other branches were steady. The long-term outlook brightened perceptibly when 1939 newsprint contracts were made at the 1938 price of \$50 a ton. A price cut had been feared. Bank clearings for the week were ahead of last year.

The upturn in Canada is not as sharp and rapid as in the United States. This was to be expected. It corresponds to the normal Canadian reaction to change in the United States. Canada was months behind the United States in going into the recession (see chart), and did not drop as far. This year Canadian business has been waiting for clear signals from below the border and now wants to be sure they can be trusted.

Preliminary October surveys indicate, however, that the forward movement has definitely set in. The month showed the greatest over-all betterment—about 3%—of any month since the movement started. All branches of industry with the exception of steel and leather footwear shared in the advance, and steel is expected to join the movement soon. At present, the steel industry has sufficient

orders for operations at about 75% of capacity. New purchasing power is further expanded by excellent apple crops in Nova Scotia and Quebec. Tourist business is less disappointing than early reports indicated. Travelers from the United States dropped about 7% below last year, but the Washington regulation limiting the customs exemption to tourists who had been out of the country for a minimum of 48 hours caused expenditures in Canada to drop from 10% to 15% below last year.

Government Fosters Housing

Although not as effective as had been hoped, federal housing loan plans have contributed substantially to expenditure on home construction and improvement, \$47,000,000 having been lent for these purposes up to Oct. 31. About 6,000 new homes have been built and 56,000 improved under the scheme. Residential building for the first 10 months of this year was 5% below the same period in 1937. Industrial construction was down 57%.

Algoma Steel Corp. is offering \$3,000,000 of new bonds to finance expansion construction now in progress.

Ottawa is issuing special permits for the entry of certain skilled technicians seeking escape from oppression in Central Europe. The permits are issued individually at the application of firms satisfying the government the persons they desire to bring in will be employed.

Canadian Business Check List

	Weekly Index Numbers 1926 = 100.		
	Oct. 29, '38	Oct. 22, '38	Oct. 30, '37
General Index.....	108.6	108.2	105.7
Key Components:			
Carloadings	79.5	77.6	78.7
Bank Clearings	88.2	92.2	88.1
Common Stock Prices.....	111.3	110.8	106.7
Shares Traded.....	172.4	165.8	170.6
	Monthly		Cumulative from Jan. 1—
	1938	1937	1938 1937
Automobiles (number)			
Production (September)....	6,089	4,417	123,706 161,671
Domestic Sales (August)....	7,204	9,074	92,085 115,998
Exports (September).....	3,460	4,002	47,092 55,418
Pig Iron (tons) (September)....	49,972	76,180	554,845 654,438
Newsprint (tons)			
Production (September)....	231,940	312,220	1,914,660 2,736,050
Exports (September).....	195,586	308,654	1,719,318 2,528,468
Electric Power Output (kw)			
(000 omitted) (September)...	2,163,645	2,204,291	18,938,359 20,346,203
Construction Contracts (October)...	\$18,111,000	\$20,169,900	\$161,572,700 \$198,576,800
Life Insurance Sales (September)...	\$27,442,000	\$27,730,000	\$275,613,000 \$281,297,000

Data: Dominion Bureau of Statistics

Business Week

Quinine from Brazil

Washington donates 1,000 young cinchona trees, and hopes for new source of quinine supply near home.

WASHINGTON'S DETERMINATION to create closer economic ties with Latin America is taking on long-term proportions. And a project just initiated may help to break up an old trade monopoly in the Netherlands East Indies.

In Rio de Janeiro recently, a visiting representative from the United States Department of Agriculture presented the Brazilian government with 1,000 young quinine plants. The Brazilian authorities will plant them in various parts of the country to see where they grow best. In time, Brazil may compete with Java as a source of the cinchona bark from which quinine is made.

Quinine's Historical Background

Quinine was first introduced to the Spaniards by Peruvian Indians nearly 300 years ago as a remedy for malaria. The wife of the Count of Chincón, Spanish viceroy at Lima, was cured by an Indian friend who made a brew of the powdered bark of a tropical tree known then only to the Indians.

More than 200 years later, the British and Dutch, with large empires in the tropics and a heavy deathrate among their white populations because of malaria, set out to cultivate the cinchona tree in their colonies but had little luck because varieties most readily available produced only a small amount of quinine.

Finally, an aggressive Englishman in Peru heard of the projects, and sent an old servant cross country to a region where he had once seen huge cinchona trees, and ordered the servant not to come back until he had a worthwhile supply of the seeds. Five years later the man returned with 14 pounds of seeds, which were immediately shipped to London. The British by that time showed almost no interest in them, but the Dutch bought a pound and shipped them to Java. A year later, they had produced 12,000 seedlings which were immediately transplanted on several plantations. This was the beginning of the modern business in quinine which is still largely controlled by Dutch interests, who grow their bark on 37,500 acres of groves in Java and Sumatra, and prepare and market most of their quinine from Amsterdam.

Plantations Developed

In the last few years, the British have developed cinchona plantations in Jamaica, and the United States in Puerto Rico. The plants are also grown experimentally in both Florida and California. But conditions in Brazil are thought to be more nearly ideal for large-scale cultivation of the trees than in any of these



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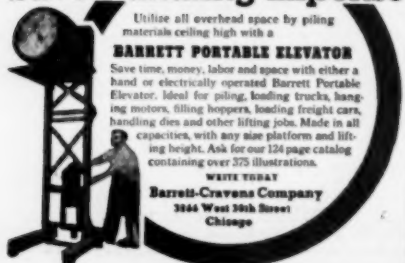
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FOREIGN ANGLES

Argentina Buys in U. S.

ORDERS for oil refining equipment can be expected from the Argentine. The government has just issued a decree authorizing the construction of new distillery units for the Y.P.F. (government oil company) at La Plata. Up to 7,350,000 pesos (\$2,190,277 at the official rate of 3.35 pesos to the dollar) will be spent on the topping, cracking, and polymerization plants and equipment. Because of the urgent necessity of meeting anticipated increased gasoline demand in the Argentine next year, and for technical reasons, the usual custom of public bids for the contracts will not be followed. Instead, the government company is authorized to negotiate directly with United States firms controlling the patents in order to obtain the rights for use here. The necessary materials can be secured in Europe or the United States, but naturally the patent owners will insist on the use of American materials. The superiority of American methods is recognized in the Argentine oil field.

New Italian Taxes

MUSSOLINI wants to put Italy on wheels, and to do so is abolishing the present \$20 to \$60 license fees on automobiles. But to help meet military expenses another tax has been created, this time a 7½% levy on the capital of all privately owned industrial enterprises. The first such tax was decreed in 1936, and called for a 10% levy on the capital value of real estate and of joint stock companies.

Information, Please

THE PARIS TELEPHONE company (operated by the government) is offering a new service to its public. By dialing La-borde 92-00, a traveler can obtain travel information, including the cost of tickets, and train schedules. This supplements the old SVP, which attempts to answer any question under the sun; INF, the talking newspaper; and Odeon 84-00, which gives the time.

Selfridge Drops 5 & 10

SELFRIDGE & Co., LTD., one of London's leading department stores and operated by an ex-American who received his training with Marshall Field in Chicago, has abandoned, after four months, its experimental 5 & 10 unit. The low-price variety store was operated in a building opposite the great Selfridge store in Oxford Street. Left-over stock is being liquidated in Selfridge's bargain basement.

Business Week

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EDITORIALLY SPEAKING

BY DR. VIRGIL JORDAN

President of the National Industrial Conference Board

Vox Pop

SINCE THIS VALEDICTORY COLUMN (see page 2) is written on the eve of election day, its point can well be that all of us, including especially business men in the present period, expect too much of elections.

It's a fine quality in the citizens of one of the few countries where they can still choose their public officials and representatives to prize the privilege highly and to take their voting seriously. It is of tremendous importance as a moral or spiritual factor in the welfare of a people to be able to give or withhold their ballot as a private and personal right, even where purchase or compulsion at the polls is widespread.

But, aside from this consideration, which is little appreciated, the actual importance of elections in influencing the economic condition of a country is slight. Rather, the very fact that so many people imagine that the election of Tweedledee and the defeat of Tweedledum does determine the destiny of the nation is the reason why it doesn't. If they didn't think so, but were in the habit of choosing their public employees on much less momentous and more commonplace grounds, they wouldn't have to worry so much about the national destiny.

THIS ISN'T A PARADOX. It is a plain fact attested by all economic history that the welfare and progress of a country are determined by the quality and character of its people and not by the platforms, promises, or personalities of its political parties or by the public office-holders elected on them. At best, government can only act as a catalytic agent to help precipitate and develop the powers and capacities of its citizens. At worst it often cripples, dissipates and destroys the social resources that reside only in the individual citizen. No government can be better than its people are.

When people expect too much of their public employees it means they have ceased to expect very much of themselves. Government is never more than the lowest common denominator of a nation's population. I know of very few things modern society needs for its security and welfare that even a weak and unresourceful people could not do better or less wastefully for themselves than any government can; and the less directly they participate in doing things for themselves, the worse and more wastefully they get done. In truth the

strength of a people is always accurately measured by the weakness of their government, and vice versa. No one knew this better, by the way, than the profound philosopher who founded the Democratic party.

In my time there has never been more impressive and depressing evidence of this than in the 1938 election campaign. There has been hardly a candidate for office in any party, and scarcely a speech on any platform that has not in some degree assumed the omnipotence of government and appealed to the universal superstitious faith of the public in it. No one has dared to suggest that if he were elected to office he would get his government to stop doing anything it is doing, because everybody knew that nobody in this or any other country could ever grasp that idea again.

THIS ISN'T THE FAULT of candidates or parties. It only reflects their interpretation and appraisal of the quality and character of the American people today—not very flattering, but probably fair enough. Belief in the omnipotence of the State is now the universal and largely unconscious superstition of the human race. It is merely the counterpart of the equally widespread conviction of the impotence and insignificance of the individual; and the reason for it is very simple. It lies in the magical illusion that modern science has created in the minds of the masses everywhere—the illusion that modern power-machine industry has made prosperity and security automatic and effortless, and that government alone is the virtuoso that can make this horn of plenty play the tune of the more abundant life forever without labor and thrift on anybody's part. The spell exercised by this illusion is too strong to be broken by anybody's words, or indeed by anything except the slow and painful experience of the truth which awaits the next generation of men.

Industry has played its part in weaving this spell which expresses itself in the Voice of the People, and all its attempts to propitiate the democratic monster that is moved by this illusion are still based upon appeal to it. If business men want to understand the causes and consequences of this situation, and why it really can't matter much which candidates win the election, the best sedative I can suggest is that they read and ponder a little book called "The Revolt of the Masses" by Jose Ortega y Gasset.

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The Journal of Business News and Interpretation

November 12, 1938

The Proof of the Tax Pudding

TWO WEEKS AGO, this page presented the opinion that the government's gold policy, and specifically the release of the Treasury's inactive gold fund in April, was one of the initiating forces of the present recovery. Last week, it cited the tax act passed last May, practically removing the undistributed profits tax and modifying the capital gains tax, as another factor in stimulating recovery. This week brings it logically to the argument that this tax change was of the utmost importance in turning depression into recovery.

Any system of enterprise, whether corporate capitalism or state capitalism, presupposes (a) a margin of saving over current consumption and (b) the continuous return of this saving into enterprise for the purpose of maintaining, improving, and expanding the productive facilities of the community. In a highly developed industrial economy, this saving is chiefly formed from corporate profits, and is returned to social use either by the direct investment of undistributed profits or by individuals' reinvestment of distributed profits, received as interest and dividends.

DURING THE LONG YEARS of the great depression the American economy had no net margin of saving. Individuals and corporations alike had more than they could do in merely making current expenses. During those years the entire plant and equipment of the country deteriorated. This was, perhaps, most conspicuous in housing; although the population was increasing, there were actually years in which the number of dwellings constructed hardly equalled the number destroyed by fire or other causes. Yet the data suggest that the accumulated deficit in the maintenance of our productive plant was greater than the accumulated deficit in housing. This was vividly demonstrated in the acute depression of the capital goods industries in those years, and the concentrated unemployment in those industries. There was no demand for capital goods, because there was no supply of capital to finance the mere repair and replacement of our productive equipment, let alone its expansion. Emerging from the great depression, the American economy faced a tremendous need for capital goods; to get them, it needed capital.

Historically, the supply of capital for the American economy has come from undistributed profits and from capital issues in about equal proportions. Year in and year out, American corporate enterprise has ploughed back about a dollar of undistributed profits for every dollar raised in the market; and the dollars raised in

the market represent, to a great extent, the investment by individuals, directly or indirectly, of distributed corporate profits.

When this circulation of capital is flowing freely and smoothly, we have prosperity; when it is cut off, dammed up, or diverted, we have depression.

THE FLOW OF INDIVIDUAL INVESTMENT into enterprise in recent years has been diverted by the increase in surtax rates, and especially by the capital gains tax, which has forced individuals in or near the higher brackets to avoid investment in the hazards of enterprise. It was calculably more profitable for them to invest in tax-exempts, or even hold their money idle.

Nevertheless, in late 1935 and 1936, we achieved a promising and temporarily balanced recovery, largely without the aid of a new issue market. It was balanced, because it included the capital goods, or heavy industries. But it was financed, as the brilliant studies of Dr. Alexander Sachs showed, largely from the previously accumulated undistributed profits of corporations. When the enactment of the undistributed profits tax at the end of 1936 shut off this source of capital, without at the same time providing for the opening of the market for the investment of distributed profits, a serious depression became theoretically probable, and in fact did develop with severity and rapidity.

In this situation the tax act of 1938 seized the bull by both horns. It permitted corporations to reinvest their earnings in their own enterprise, if the responsible directors deemed it advisable, and it made investment in enterprise more attractive to individuals. As a result of this tax act of 1938, corporations were allowed to spend, and individuals felt freer to invest. The events of the last four months suggest that both promptly took advantage of the new opportunity, with highly favorable consequences to the economy.

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